

FINANCIAL TIMES

Europe's Business Newspaper

WEEKEND MARCH 20/MARCH 21 1993

D8523A2

Thousands greet UN aid convoy in eastern Bosnia

Thousands of cheering and weeping people in the besieged town of Srebrenica in eastern Bosnia yesterday greeted a United Nations aid convoy, led by Gen Philippe Morillon, the French commander of UN forces in the region.

The convoy of 16 trucks, carrying 175 tonnes of food and medical supplies, had been repeatedly blocked by the Bosnian Serbs over the past nine days, and was only the third to reach Srebrenica since the civil war began last April. Page 2

Japanese semiconductor market: Foreign manufacturers' share of the Japanese semiconductor market jumped to 20.3 per cent in the fourth quarter last year. This matches Japan's commitment to the US to open up its electronics market and reflects the risk of a potentially acrimonious row during bilateral talks in Hawaii this weekend. Page 22

London share prices rebound
FT-SE 100 Index
Hourly movements
2,930
2,920
2,910
2,900
2,890
2,880
2,870
15 MAR 1993 10

Black's Telegraph plan delayed: Conrad Black's plan to sell half of his private company's stake in the Canadian Southern newspaper group to The Telegraph, the UK-listed company he controls, was delayed after The Telegraph's independent directors learned that another investor is buying Southern shares much more cheaply. Page 22

RPI edges higher: British retail price inflation edged higher last month, boosted by more expensive food and petrol and a bounce back in prices after the January sales. Prices rose in February by 0.7 per cent from the previous month. Page 22: Further details, Page 4

Japan's money supply growing again: The Bank of Japan said the money supply in February grew by 0.2 per cent compared with the year before. Page 22: Japan's steel makers see sharp falls, Page 10

France honours Samuel Brittan
Samuel Brittan (left), principal economic commentator of the Financial Times since 1968, has been named a chevalier in the French Legion of Honour by President Francois Mitterrand.

Singer to take control of German rival: Singer, one of the world's leading sewing-machine makers, is to take control of Pfaff, its German rival. Page 10

Moi says Kenya faces collapse: Kenya's President Daniel arap Moi threatened to suspend relations with western donors - who have refused to resume \$40m a month aid payments - and said Kenya was near collapse. Page 3

Drug king's military chief shot dead: Colombian police said they shot dead cocaine king Pablo Escobar's military chief, Mario Castano, alias El Chopo, in Medellin.

Children may be allowed into pubs: Children will be able to accompany their parents in pubs, and continental-style cafes will be allowed to sell alcohol under a relaxation of the licensing laws in England and Wales being considered by the government. Page 4

Second smallest union to close: Britain's second smallest union, the 102-year-old Society of Shuttlemakers, is to close because eight of its 17 members have been made redundant.

Hostages envoy to receive award: Giandomenico Pico, the UN envoy who played a pivotal role in securing the release of the British hostages in Beirut, has been named an honorary companion of the Most Distinguished Order of Saint Michael and Saint George by the Queen.

Dig shows Anglo-Saxon skills: Archaeological excavations at Canterbury cathedral show that there was a huge cathedral on the site in Anglo-Saxon times - confirming that the Anglo-Saxons were builders of great churches.

STOCK MARKET INDICES		STERLING	
FT-SE 100	2,900.1 (+20.4)	New York Composite	1,482
Yield	4.18	London	1,495 (1.475)
FT-SE Euroshare 100	1,145.57 (+3.18)	DM	2,632.25 (2.44)
FT-A All-Share	1,421.24 (+0.73)	FF	2,225 (2.32)
Nikkei	18,537.77 (+156.73)	Sfr	2.25 (2.2425)
New York Composite	1,482 (+2.16)	Y	172.75 (172.5)
Dow Jones Ind Ave	3,467.80 (+21.8)	£ Index	79.3 (79.2)
S&P Composite	451.33 (+4.56)		
US LUNCHTIME RATES		DOLLAR	
Federal Funds	2 1/2%	New York Composite	1,482
3-mo Treas Bill	3.00%	DM	1,632.5 (1.63)
Long Bond	7.04	FF	2,225 (2.32)
Yield	5.80%	Sfr	2.25 (2.2425)
LONDON MONEY		Y	172.75 (172.5)
3-mo Interbank	5.1% (85)	£ Index	79.3 (79.2)
Life long gtr future	Jan 1993		
100	100.55		
NORTH SEA OIL (Argus)			
Brent 15-day (May)	\$18.8 (18.82)		
Gold			
New York Comex (Apr)	\$328.4 (328.2)		
London	\$328.4 (328.2)		

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Branson threatens to produce fresh courtroom evidence of 'dirty tricks' Virgin calls off talks with BA

By Daniel Green

VIRGIN ATLANTIC abandoned talks aimed at settling the "dirty tricks" dispute with its larger rival British Airways yesterday, and threatened to produce new evidence against it in UK or US courts.

Mr Richard Branson, Virgin's chairman, also called for an independent investigation into the dispute by the Department of Trade and Industry. He said an official request would be made next week. The DTI can investigate companies and take civil action against them.

Weeks of tense and often sour negotiations almost led to a settlement at one stage. The draft agreement would have seen BA pay \$5m compensation to Virgin. The talks foundered on a clause limiting discussion of the case.

Virgin said the clause would "restrict [its] ability to refer to the case in any further actions or to provide information to anyone else in a similar dispute". Mr Branson said: "We should have the right to refer to matters of historical record."

BA denied it "sought to 'gag' Virgin". Mr Robert Ayling, BA's group managing director, said: "We have simply asked them to agree not to rake over the events of the past. The fundamental point on which we cannot agree with Virgin is their requirement to be able to reopen past events."

The talks were set up after BA publicly apologised to Virgin in January and paid it \$510,000 in libel damages following revelations that BA had been engaged in covert operations to undermine Virgin's business.

Last week, Virgin said it was ready to settle if BA dropped the clause forbidding it from referring to the matter in future. But yesterday's Virgin statement said: "British Airways have sought from Virgin onerous and impractical undertakings including silence over matters of historical record."

It accused BA of "consistently refusing to acknowledge the full nature of the extent of the activities which have taken place over the past three years".

The company yesterday in-



Making up is hard to do: Richard Branson prepares for a television interview at CNN's London studios after the breakdown of talks with BA

cluded all the remedies available in an anti-trust action in the US. Such laws in the US are complicated and action could take years with no guarantee of success.

The UK government is likely to be unhappy if the case goes to the US courts. It has put pressure on the two companies not to go to court because adverse publicity might hurt its position in sensitive talks with the US govern-

ment over aviation deregulation. Mr John Prescott, opposition transport spokesman, called on Mr John MacGregor, transport secretary, to intervene. "There could be considerable implications for British aviation policy if this matter is now pursued in the American courts as Richard Branson intends," Mr Prescott said in a letter to Mr MacGregor.

Virgin weighs up options, Page 5

Lex, Page 23

US to delay trade sanctions against EC

By Jurek Martin and Nancy Dunne in Washington and David Dowdell in London

THE US yesterday agreed to postpone sanctions against the European Community, due to be implemented on Monday in a public contracts dispute, until after another round of negotiations in Brussels starting on March 29.

Mr Jacques Delors, president of the EC Commission, also said in Washington he had been assured that the Clinton administration would seek an extension of its "fast track" authorisation in trade negotiations "until the end of this year".

Mr Delors said he appreciated the US "gesture" of postponing the procurement sanctions.

Mr Hugo Paeman, the EC's chief trade negotiator, said in Brussels yesterday that the US decision had greatly improved the atmosphere in which the forthcoming Brussels meeting between the two trade representatives would take place. It would also aid him in the preparatory discussions he would have in Washington early next week, he said.

The sanctions, over US access to the EC government procurement market, would deny Euro-

pean firms the right to bid on US government contracts for electric power equipment, telecommunications and other services. This could cost EC companies an estimated \$40m-\$50m (\$20m-\$30m) a year in lost business.

The US is demanding a waiver of article 29 of the new Utilities Directive, which gives EC firms a 3 per cent preference on contract bids. The row is the first public face-off between the US and the EC, and may set the tone for a number of nascent disputes over issues such as Airbus subsidies and steel trade.

A joint US-EC statement yesterday said Mr Delors had indi-

cated "the EC's desire to find a mutually satisfactory solution" when Mr Mickey Kantor, the US trade representative, visits Brussels later this month.

The statement also said the US and the EC agreed to negotiate "a significantly larger market access package in both goods and services as the first order of business in the renewed Uruguay Round negotiations".

The US administration has previously said it would seek from

Congress a fast-track extension but has not said for how long. An extension to the end of the year should allow the US and its largest trading partners to launch a final drive to reach completion of the Uruguay Round of the General Agreement on Tariffs and Trade.

Mr Delors apparently emphasised that he sought closer transatlantic co-operation in his discussions with President Bill Clinton on Thursday.

Continued on Page 22

French franc comes under strong eve-of-poll pressure

By James Blitz in London and Alice Rawsthorn in Paris

THE French franc continued to come under strong selling pressure inside the European exchange rate mechanism yesterday, as investors speculated that a new political administration in France might be forced to sever the link with the D-Mark.

In the run-up to tomorrow's first round of parliamentary elections, the franc remained close to its ERM floor against the D-Mark. French franc money market interest rates rose, amid signs that some international investment houses were borrowing francs and selling them in the hope of profiting from a possible devaluation.

Mr Edouard Balladur, a finance minister in the last conservative government who is tipped as the next French prime minister, yesterday sought to alleviate the pressure on the French currency.

Dampening speculation that a conservative government might abandon the socialist policy of protecting the franc inside the ERM, he said on radio that the

French right had no intention of following the UK's example of leaving the mechanism. "It's not a model for me," he said, describing the consequences for the UK economy as "almost tragic".

Some foreign exchange dealers, however, believe that a new French administration might abandon the socialist franc fort policy because it has meant keeping interest rates at about 12 per cent at a time when the French economy is slowing down.

Tomorrow's poll marks the first round of voting in the parliamentary elections, with the final round scheduled for next Sunday.

The conservative coalition of the RPR and UDF has such a strong lead - with 42 per cent of the vote against the ruling socialists' 20.5 per cent, according to the final opinion polls - that a change of government appears inevitable.

The critical question is how the conservative vote will split between the RPR and UDF. The polls suggest the two centre-right parties are neck and neck. However, the final outcome could influence the allocation of cabi-

net seats and President Francois Mitterrand's choice of premier.

Even in its final days the French electoral campaign has been notable only for the absence of excitement. The inevitability of the conservative victory has contributed to the subdued mood, as has the familiarity of the main party leaders, such as the RPR's Mr Jacques Chirac and the UDF's Mr Valéry Giscard d'Estaing, and the similarity between the main parties on critical areas of policy.

The franc fell as low as FF4.416 against the D-Mark at lunchtime in London, with some London-based dealers reporting that the currency was being sold in large amounts. There was no sign of foreign exchange intervention by either the Bank of France or the Bundesbank to support the currency.

The franc later closed unchanged on the day at FF4.41 to the D-Mark, around 2 centimes above its ERM floor.

Socialists face knock-out, Page 2

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Paris gathers pace, Page 19

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NatWest to charge daily for overdrawn accounts

By John Gapper, Banking Correspondent

NATIONAL Westminster Bank is to impose a charge of £2.50 a day on current account holders who overdraw substantially without authority. The bank's new charging structure will penalise up to 1m customers who overdraw regularly.

The bank, which has 6.5m personal customers, said yesterday the new charges would benefit about 1m customers who only overdraw occasionally. It is to abolish its £20 fee for warning letters telling customers they are overdrawn.

There has been considerable speculation that NatWest would become the first bank to introduce charges for customers who stay in credit. The new charges indicate that it has instead chosen to penalise its most unprofitable customers.

NatWest is the first of England's big four banks to introduce a daily overdraft fee. Most banks already charge on a monthly rather than quarterly basis and impose fees for sending warning letters and returning cheques.

Under NatWest's new structure, to be introduced from June 1, the most persistent overdrawn customers will suffer substantially. They face charges of up to £355 a quarter if they stay constantly more than £50 over their agreed overdraft limit.

The fall in base rates since sterling left the exchange rate mechanism in October has made more current accounts unprofitable for banks because they can no longer earn as much from interest on re-lending their deposits.

Mr David Powell, NatWest's director of personal financial services, said the new structure would remove some of the existing "cross-subsidies" under which customers who regularly enter overdraft are charged less than they cost the bank.

Mr Powell said that 90 per cent of customers would not be affected by the change because they remain in credit. He said customers who regularly overdraw typically cost the bank up

Continued on Page 22

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Source: Mitropol, offer to bid, 11.4.83 to 15.3.93, net income reinvested, 'no income reinvested, all periods to 15.3.93', as at 17.3.93.

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NEWS: INTERNATIONAL

PERSONAL TRIUMPH FOR FRENCH COMMANDER

UN aid convoy finally reaches besieged Srebrenica

By Robert Mauthner,
Diplomatic Editor

A UNITED NATIONS aid convoy, led by the charismatic French commander of UN forces in Bosnia, was yesterday greeted by thousands of cheering and weeping people as it finally reached the besieged town of Srebrenica in eastern Bosnia.

The convoy of sixteen trucks, carrying 175 tonnes of food and medical supplies, had been repeatedly blocked by the Bosnian Serbs over the past nine days, and was only the

third to reach Srebrenica since Bosnia's civil war began last April.

Its arrival in a town whose population had swollen to 60,000 people by the inflow of refugees from the surrounding region and where 40 people were reported to be dying every day, was a personal triumph for General Philippe Morillon, the UN commander.

General Morillon, in the teeth of disapproval of his superiors in the UN, had gone to Srebrenica last Thursday and declared that he would not leave the town until

aid for its desperate population arrived.

Serb authorities allowed the convoy into eastern Bosnia only after the general, who had gone to the border to negotiate with the local Serb militia commander, agreed to Serb demands that the convoy should travel without military escort and leave behind two Belgian doctors and three UN military observers.

The general also insisted to the local Serb leaders that he had the authorisation of President Slobodan Milosevic of Serbia for the convoy to

proceed to Srebrenica.

Once in the town, Gen Morillon warned that, following a lightning offensive, Srebrenica was close to capture by Bosnian Serb forces, who were only 20km away.

A UN official had earlier reported that Muslim positions and targets 4km away had been hit by a shell every second during a 15-minute period yesterday.

The convoy was due to spend the night in Srebrenica and evacuate the hundreds of sick and wounded in the trucks

which had been carrying the relief supplies.

Conditions in the town were reported to be appalling by UN officials. Diarrhoea was rampant as the result of contaminated water and food was so scarce that lights broke out over supplies dropped by UN aircraft.

The people, many without shelter and adequate clothing, wandered about the streets in an "indescribably filthy" condition and as many as 30 people wounded by shellfire were treated every day in local clinics chronically short of

medical supplies, the official said.

Before the arrival of the convoy in Srebrenica, Mrs Sadako Ogata, UN High Commissioner for Refugees, had urged the UN to provide heavy helicopters to fly in supplies and evacuate wounded people from the town. She asked Washington to double the amount of food it has been parachuting into the stricken town. In New York, meanwhile, the UN Security Council is expected to discuss next week a resolution proposed by France, and

backed by the US and Britain, authorising the immediate enforcement of the no-fly zone in Bosnia.

The western move is also aimed at encouraging Mr Alija Izetbegovic, the Muslim Bosnian president, to accept the plan by Mr Cyrus Vance and Lord Owen, the international mediators on the conflict in the former Yugoslavia, to divide the country into 10 semi-autonomous provinces.

Mr Izetbegovic on Thursday boycotted the talks in protest against the events in eastern

Bosnia, but returned to the negotiating table with the mediators again today after the arrival of the convoy in Srebrenica.

The mediators are convinced that, if they manage to convince the Bosnian president to sign their plan, it will become easier to pressure Mr Radovan Karadzic, the Bosnian Serb leader, to do the same. For the moment, however, Mr Karadzic, who has asked for significant changes to the mediators' map, is showing no sign of being ready to compromise.

Kinkel urges practical assistance for Russia

By Quentin Peel in Bonn

MR KLAUS Kinkel, the German foreign minister, yesterday called for a direct programme of practical measures to support the Russian reform programme of Mr Boris Yeltsin, and floated the idea of Russia being formally admitted to the Group of Seven industrialised states.

Such membership would depend on Russia "resolutely pursuing" its reform programme, he said. But it was clear that in terms of "human and material resources" Russia fulfilled the necessary preconditions to join the club.

At the same time, he suggested that inviting Mr Yeltsin to attend the G7 summit in Tokyo in July would demonstrate "the unchanged political importance of the Russian federation, and the world-wide reputation of its president."

German officials are concerned that any programme of

western assistance for Russia, which could be drawn up by finance and foreign ministers meeting in Japan on April 18, should do nothing to encourage Mr Yeltsin's opponents in accusing him of being a "lackey of the west."

Such a programme should now be focused on direct practical assistance for the population, including a significant element to improve living conditions for officers in the Russian army, they believe.

They want other members of the G7 to contribute towards new housing for the military, for which Germany is already paying DM12bn (\$5bn), to head off any cause for military unrest.

They also suggest direct involvement in the Russian government's privatisation programme, and aid to relieve desperate shortages of drugs in hospitals, and food in old people's homes, as ways of bringing relevant western assistance to the Russian people.

Mr Yeltsin has sought to reassure western leaders, including Chancellor Helmut Kohl, that he has the support of the army in his constitutional struggle for power with the Russian Congress of People's Deputies. There are fears in Bonn, however, that regional commanders in areas such as Georgia and Moldova are acting like "independent warlords" over whom neither the Russian president, nor his Moscow army commanders, have real control.

The German military housing programme is building 36,000 apartments for officers returning from the occupying force in east Germany. However there are no comparable programmes to help those coming back from Poland and Hungary, the Baltic republics, or other former Soviet republics.

"We must show that co-operation is worthwhile, and that confrontation brings nothing to Russia," a senior German official said.

Schlesinger sceptical of Bonn deal on finances

By Christopher Parkes in Frankfurt

THE solidarity pact agreed last weekend between the German government and opposition parties was a helpful but less than ideal compromise, according to Mr Helmut Schlesinger, president of the Bundesbank, Germany's central bank.

The deal had removed uncertainties from financial markets and would help correct imbalances in the top-sided mix of monetary and financial policies, he said in Berlin yesterday.

It would reduce budget deficits to around 2 per cent of gross national product by 1996, compared with more than 4 per cent this year, and 0.5 per cent before unification.

But the reduction would be achieved mostly through increased taxes and welfare contributions, he told the American Chamber of Commerce.

At the same time new public borrowing demands implied in the pact were only "temporarily tolerable", he warned. The Bundesbank repeatedly urged during the negotiations that deficits should be controlled through spending cuts and not via the easy route of tax rises.

Mr Schlesinger chose his words carefully to avoid any danger of damaging the hard-won political compromise - and charges of political interference - but he did not try to conceal his scepticism.

All in all, it was to be hoped that the advantages of the budget consolidation plan outweighed the possible disadvantageous effects of the tax increases, he said. Local authority spending had to be reined in, especially since firm spending cuts had not yet been identified.

Mr Schlesinger, who had been unable to make his feelings known before for fear of disturbing markets, revealed the bank's council meeting on Thursday, said the package was not the ideal way to encourage growth.

"Public sector demands on financial markets of the size proposed are tolerable only temporarily if monetary policy is not to be overburdened and private productive investment is not to be hampered," he said.

Postponement of the key element in the solidarity pact until 1995 was "not exactly ideal". He was referring to the introduction of a 7.5 per cent income tax surcharge which will take effect in January 1996.

He made plain that the deal had little influence on the decision on Thursday to lower the official discount rate from 8 to 7.5 per cent. This had been made on the basis of flattening money supply growth, moderate wage increases and prospects of slackening inflation, he said.

Conservative parties' pact expected to lead to huge majority Socialists face second round knock-out

TOMORROW France starts a lengthy process which will give it a new government on or around April 15.

ASSEMBLEE NATIONALE

Opinion polls attest to the generally low standing of politicians in France, but never have so many sought to join the profession. A record number of 5,189 candidates are contesting the 555 seats in mainland France and Corsica - an average of 9.3 candidates per seat compared to 8.3 at the last parliamentary election in 1988. Representatives from overseas departments and territories make up the total of the 577 seats in the National Assembly.

France's majority voting system provides for two rounds, though not all constituency fights will go to a second round. The first round is tomorrow. Candidates who win 50 per cent or more of the vote are elected. Most of these early outright victors will be candidates of the Gaullist RPR and centre-right UDF parties which are well ahead in opinion polls.

In fact, the RPR has already won a seat in French Polynesia which voted earlier than metropolitan France because it needed more time between the two rounds to tabulate results and convey election information across its south Pacific islands.

If the first round produces no absolute majority in a constituency - which will usually be the case - a second round takes place on March 28. Any candidate winning more than 12.5 per cent of votes in the first round can take part in the run-off. Victory goes to the candidate winning most votes.

Some candidates who have only just scraped through to the second round will try to pass their support to other candidates with a better chance. For instance, the Socialist party has said it will instruct its candidates to stand down if they are beaten by Green candidates, to allow the Green a better chance in the second round. The Socialists calculate they will only rarely be overtaken by the Greens, but they hope their gesture will be reciprocated by the environmentalists in the more frequent instances in which Socialist candidates outdistance Green ones in the first round.

The only effective difference between France's two-round majority voting system and Britain's single-round majority system is that French deputies generally get elected with a higher share of the vote than their UK counterparts. Both

systems tend to accentuate electoral swings - hence, some projections predict that the RPR/UDF could get 50 per cent of seats on 40 per cent of the vote.

As in the UK, the French system also tends to squeeze out smaller parties. Their best tactic is to field joint candidates, as the Verts and Génération Ecologie (and, of course, the RPR/UDF) have done. The environmentalists' problem is that their support is thinly spread, in contrast to the Communists whose strength is maximised by being geographically concentrated.

In 1988 the elections were fought under a proportional representation (PR) system,

David Buchan explains the mechanics of the French election

introduced by President Mitterrand and his Socialists to reduce the swing to the right. But the Chirac government scrapped this for the 1988 elections, and returned to majority voting - just as "fringe" parties were on the rise. If the Greens poll well but gain no seats, there may be calls for some return to PR, perhaps adding a national list of deputies elected by PR to the 577 constituency deputies elected by majority vote.

If, when the final results are in on March 28, it is confirmed that the RPR/UDF have won, then the Socialist prime minister, Mr Pierre Bérégovoy, will immediately submit his resignation to President Mitterrand. The latter will then consult leaders of the victorious conservatives to discover whom they want as prime minister, and whom he feels he can accept. One idea, mooted early in the campaign, was for a new RPR and UDF blocks of deputies to present Mr Mitterrand with a *fait accompli* by designating their choice for prime minister. But neither Mr Jacques Chirac, the RPR leader, nor Mr Valéry Giscard d'Estaing, the UDF leader, will want to be bypassed in this way.

The manoeuvring could take several days. There is one constraint. Under the constitution, parliament has to start its summer session on April 2. It would look to do this "class of 1993" were to take their seats in the Palais-Bourbon, with the government bench empty. Yet, leaving nomination of a new prime minister and government until the day before - April 1 - might be the sort of joke that President Mitterrand would enjoy.

Moscow seeks active G7 backing for reforms

By John Lloyd in Moscow

RUSSIA'S deputy premier for the economy and finance has proposed to the Group of Seven leading industrial countries a seven-point plan that will demand more resources and greater engagement in the Russian economy than they have so far been prepared to agree.

In talks with the G7 "sherpas" (senior officials) in Hong Kong a week ago and with western diplomats in Moscow since, Mr Boris Fyodorov has proposed a package which, depending on how it is costed, would be worth between \$10bn and \$40bn-plus.

But Mr Fyodorov has stressed, according to western diplomats, that the money is less important than a continuous and serious engagement in economic reform, with major foreign states making sure Russia fulfils the conditions on which money is advanced.

The main points of the package are:

- A "budgetary support" fund of around \$3bn-\$4bn, mainly destined for creation of a social safety net - though western

analysts also say it may be used for other programmes, such as military conversion and nuclear safety. This is the major new element in the package and the most controversial. The west may find it hard to sell politically and is reluctant to be seen forcing Russia to create a pool of unemployed which they would then support.

● A small business support programme, worth several hundred million dollars.

● A \$80bn fund to be used to stabilise the rouble. Such a provision is already made in the current, much derided IMF-administered package of \$24bn but has not been used because the government has not been able to create the conditions for rouble stabilisation.

● Debt relief from the interest and principal due on the \$80bn of foreign debt which Russia has inherited from the former Soviet Union - which, with arrears, runs at \$40bn this year.

● Access to western markets for Russian products from high-tech armaments to low-grade steel.

● Bilateral credits from various countries - though this is now seen as less important and some ministers, including yesterday Mr Vladimir Shumeiko, the first deputy prime minister, are against accepting any further increases in indebtedness.

● Better co-ordination of the aid and a tougher conditions regime. Mr Fyodorov, who greatly impressed the G7 sherpas in Hong Kong, has made a point of not asking for assistance but co-operation.

The west believes that he, with Mr Shokhin and Mr Anatoly Chubais, the deputy premier in charge of privatisation, are firmly in command of the economic strategy, and that they have convinced Mr Victor Chernomyrdin, the prime minister, of the need for continued radical reform.

Cabinet changes, foreshadowed by comments by President Boris Yeltsin this week, would centre on the economic area dominated by Mr Fyodorov. They might include Mr Vasily Baruchuk, finance minister, and Mr Andrei Nekhayev, economics minister.

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Term: July 18 - Aug 7
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312-767-7477

LEGAL NOTICES

In the High Court of Justice
Chancery Division
Company Court
No. 00368 of 1993

IN THE MATTER OF COURT CAVENISH GROUP LIMITED AND

IN THE MATTER OF THE COMPANIES ACT 1985
NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 2nd February 1993 confirming the reduction of (1) the capital of the above-named Company from £2,121,276.10 to £205,156.04 and (2) the Share Premium Account of the company by £6,605,541 and the balance sheet approved by the Court showing with respect to the capital of the company as altered the several particulars required by the above-mentioned Act were re-registered by the Registrar of Companies on 10th March 1993.

Dated this 17th day of March 1993
Witness my Hand and Seal at 50 Station Street, London W1X 3PL
Not: SA/00017/9313
Solicitors for the Company

BUSINESS SCHOOLS

The Financial Times proposes to publish this survey on:

April 21st 1993

Should you be interested in acquiring more information about this survey or wish to advertise please contact:

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FINANCIAL TIMES

GM told to return to Finland

By Kevin Done,
Motor Industry Correspondent

GENERAL MOTORS, the US car maker, is to be forced to resume car production in Finland, at least temporarily, as a result of a German court order won by its former Finnish partner Valmet, the majority state-owned paper machinery and engineering group.

The two companies are locked in a legal conflict following GM Europe's transfer of Finnish production of its Opel/Vauxhall Calibra coupé from Valmet's plant at Usinkaukunki to one of its main German plants at Rüsselsheim, near Frankfurt.

The court in Darmstadt, Germany has issued an interim injunction in favour of Valmet ordering GM to resume production in Finland.

GM said the court ruling involved only a preliminary

order and was "not a final decision on the merits" of the case.

The US carmaker said it believed the order was "wrong" and that it would "appeal and pursue all available legal remedies to protect its legitimate interests."

Under the terms of the order GM would have to produce 30 per cent of its Calibra output at the Valmet plant.

It said that under German law the order took "immediate effect". In order to comply with the order it was "studying the matter" and would advise Valmet of its proposals to restart production in Finland.

Calibra sales were currently running at around 3,000 a month across Europe, it said.

GM ceased all production of the Calibra in Finland in mid-December. It moved the Finnish assembly to Germany to improve capacity utilisation at the Rüsselsheim plant and to

avoid the added cost penalties of production in Finland.

Output of the Calibra began in Finland in March 1991 at a time when GM needed extra capacity in western Europe with new car demand at a record level, but sales have since begun to fall dramatically and GM is being forced to take several measures to cut costs. The assembly agreement with Valmet was not due to expire until the end of 1996.

GM halted the production in Finland in December after it failed to agree an assembly fee per car with Valmet following several months of abortive negotiations. GM claimed that it was suffering a DM5,000 (£2,118) per car cost penalty for production in Finland versus production in Germany.

The loss-making Valmet group produced 34,558 Opel/Vauxhall cars in 1992 and 21,533 in 1991.

Suchocka to salvage privatisation

POLAND'S coalition government led by Ms Hanna Suchocka is to press ahead with its mass privatisation plans despite the defeat by 12 votes in parliament on Thursday of legislation underpinning the proposals, writes Christopher Bobinski in Warsaw.

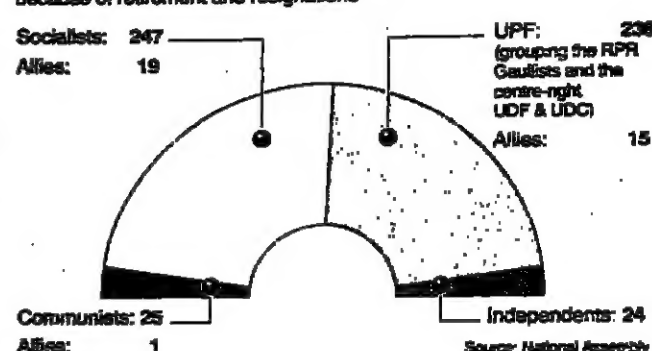
The government's counter-offensive includes the resubmission of the legislation in "the near future" as well as the speedy implementation of parts of the scheme which can be brought in under existing laws. "We want to move ahead fast with what will be in effect a policy of fait accompli," said a source close to Ms Suchocka.

The plan to try to salvage mass privatisation is to be finalised by the cabinet today and announced on Monday.

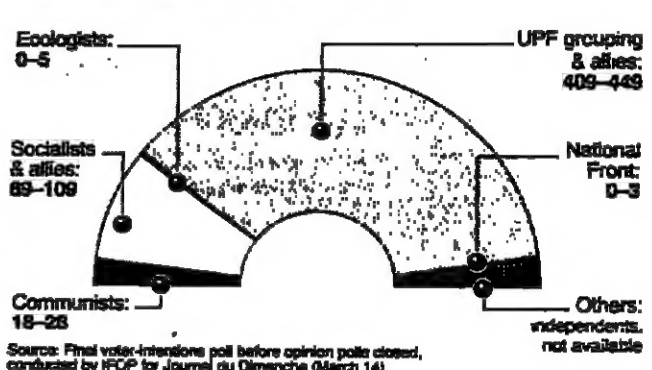


What the French have now...

The National Assembly: 577 seats, of which eight are currently unfilled because of retirement and resignations



and what they say they want



Balladur favoured as PM

If the right wins the election, which of the following would you prefer as prime minister?

	% of all respondents	% of UDF & allied voters
Edouard Balladur	21	31
Raymond Barre	16	15
Stéphane Volle	14	10
Jacques Chirac	12	15
François Léotard	12	10
Val Giscard d'Estaing	10	13
Others suggested, or no response	15	6

Industrial output in France picks up slightly

By Alice Rawsthorn in Paris

FRENCH industrial output rose slightly in January, showing an increase of 0.4 per cent against the previous month, according to the latest figures from Insee, the state statistics institute.

The small rise suggests the economy may have stabilised, after a fall in gross domestic product in the final quarter of 1992, the first decline since the Gulf War.

A further fall in the current quarter would put France technically in recession.

This means the ruling socialists, who are expected next weekend to be replaced by the conservatives in the final round of the parliamentary elections, may be able to leave office without taking France into recession.

January's industrial output was still 4.7 per cent lower than that of January last year.

The Financial Times (Europe) Ltd.
Published by The Financial Times
(Europe) GmbH, Frankfurt Branch,
Niederwallstrasse 3, 6000 Frankfurt-am-
Main 1. Telephone 49 69 158650; Fax
49 69 2964481; Telex 416183. Repro-
duced by E. Hugo, Managing Director,
Printer: DVM GmbH-Hürth International,
6078 Neu-Isenburg 4. Responsi-
ble editor: Richard Lambert, Financial
Times, Number One Southwark Bridge,
London SE1 9HL. The Financial Times
Ltd. 1993.

Registered office: Number One, South-
wark Bridge, London SE1 9HL. Com-
pany incorporated under the laws of
England and Wales. Chairman: D.E.P.
Palmer. Main shareholders: The Finan-
cial Times Limited, The Financial News
Limited. Publishing director: J. Rolley,
108 Rue de Rivoli, 75004 Paris Cedex
01. Tel: (01) 4297 0621; Fax: (01) 4297
0629. Editor: Richard Lambert, Financial
Times, 20100 Roubais Cedex 1. ISSN: ISSN
1148-2753. Commission Paritaire No
67808D.

Financial Times (Scandinavia) Vimmel-
skaflet 42A, DK-1160 Copenhagen-K.,
Denmark. Telephone (33) 13 44 41. Fax
(33) 935335.

South Korea acts to boost growth

By John Burton in Seoul

MR Kim Young-sam, South Korea's new president, yesterday announced plans to stimulate the economy and remove bureaucratic controls on business.

The unveiling of the "100-day programme for a new economy" comes amid indications the administration will adopt a gradual approach towards financial liberalisation to avoid disrupting economic recovery.

Mr Kim promised that central bank lending rates would be cut and the money supply eased to boost economic growth, which amounted to 4.5 per cent last year, the lowest rate in 11 years.

The finance ministry said this week economic growth was expected to fall below the target level of 5 to 6 per cent during the first half of 1993.

Reducing interest rates represents an abandonment of the tight monetary policy the government pursued last year to cool the overheated economy.

Inflation should be controlled instead through a vol-



Kim Young-sam: 100-day plan

untary restraint on prices and wages, said Mr Kim, who suggested he might impose a mandatory freeze.

The government has delayed plans to deregulate most commercial interest rates until at least later in the year because of fears that this might drive interest rates higher.

It has also postponed introducing a requirement to use real names in financial transactions. Financial accounts can now be held under pseudonyms and are used to hide money generated from the large underground economy.

The Federation of Korean Industries had warned of a flight of capital abroad and a resulting credit squeeze if the reforms were introduced soon.

Other proposals in the economic programme include support to small and medium-sized businesses, which suffered a record number of bankruptcies last year. State assistance for technological research and development will be increased, while numerous administrative restrictions hampering business operations will be abolished.

IMF and Egypt in loan accord

THE International Monetary Fund has endorsed Egypt's compliance with the Fund's first stand-by agreement with the country, triggering the forgiveness of \$3bn worth of official debt and enabling the start of talks on a fresh stand-by accord, writes Mark Nicholson in Cairo.

The Fund's board approved Egypt's economic reforms late on Thursday in Washington, freeing the final tranche of a \$370m loan agreed in a deal originally struck with the IMF in May 1991.

Endorsement of the programme had been due by last November, but was delayed first by disagreement over the scale of cuts in Egypt's budget deficit, then by IMF concern over the speed of the government's privatisation programme.

Thursday's approval signals IMF satisfaction with Cairo's progress on both.

Talks can now begin on a second stand-by agreement with the IMF which, if approved, would trigger further debt forgiveness under the terms of a Paris Club deal agreed with Egypt in 1991.

Tougher battle ahead as Senate verdict on budget and stimulus plans due next week

Clinton triumphs in House votes

By George Graham in Washington

PRESIDENT Bill Clinton faced a tough battle for his economic programme in the US Senate yesterday after winning a sweeping victory in the House of Representatives.

"We are really trying to break the gridlock," Mr Clinton said after winning almost total party loyalty from his fellow Democrats in separate votes on a short-term \$10bn (\$11bn) stimulus programme and on a longer-term budget plan aimed at cutting the federal deficit to \$184bn in 1997.

But the two bills face more obstacles in the Senate, where some conservative Democrats are reluctant to vote for the stimulus measures, and where senators from oil states are equally reluctant to back a plan that depends in large measure on a new energy tax.

The Senate is expected to vote on the budget and stimulus plans next week.

For the moment, however, President Clinton seems to have preserved important momentum for his economic programme. Mr Clinton's reading of earlier presidencies, including those of Mr Franklin

Roosevelt and Mr Ronald Reagan, has encouraged him to believe he has a fleeting opportunity to push a great deal through Congress at the start of his term. Although 11 Democrats deserted the president on the budget vote, and 22 on the stimulus vote, Mr Clinton has

Voters might tolerate tax rises and spending cuts if a serious attempt is made to tackle the budget deficit

succeeded in preserving much greater party loyalty than the last Democratic president, Mr Jimmy Carter.

"I think it's the first of a number of victories," said Congressman Richard Gephardt, leader of the House Democrats.

Helping Mr Clinton along is the growing perception among members of Congress that they had underestimated the extent to which their voters were prepared to tolerate tax increases

and cuts in favourite spending programmes if, in return, a serious attempt were made to tackle the budget deficit.

Congress has, in fact, decided to outdo Mr Clinton in its zeal for deficit reduction: the programme passed by the House will cut spending by \$60bn more over five years than Mr Clinton's initial proposal, while the version debated by the Senate yesterday also proposed additional spending cuts.

Both House and Senate versions, however, preserve essential outlines of Mr Clinton's scheme: increased revenues through higher income taxes for the wealthy and a new energy tax, matched by deep cuts in defence spending, federal subsidies and government management costs, and offset by raised "investment" spending on the environment, education, health, technology and infrastructure.

The House vote, however, is only the first and arguably the easiest battle. The budget resolution provides the general outlines of spending and taxation: the details of spending cuts and tax rises may be harder to secure when Congress addresses them this summer.



Bill Clinton, after winning almost total party loyalty from fellow Democrats: "We are really trying to break the gridlock."

Supreme court judge to quit

By Jurak Martin in Washington

JUSTICE Byron White yesterday announced his retirement from the Supreme Court, thus handing President Bill Clinton a first and early opportunity to begin reshaping the highest court.

Justice White, who is 75, said that after 31 years "someone else should be permitted to have a like experience."

Appointed by President Kennedy in 1962, he is the only nominee of a Democratic president now sitting on the court.

Not since 1967, when President Johnson elevated the late Justice Thurgood Marshall, has a vacancy occurred during a Democrat presidency.

At least one other member of the court, Justice Harry Blackmun, has recently spoken openly about retiring.

Though appointed by President Nixon, he has emerged as one of the most liberal members, whereas Justice White has become more conservative.

Two names most frequently mentioned as likely Clinton nominees are governor Mario Cuomo of New York and Mrs Marian Wright Edelman, guiding light behind the Children's Defence Fund and a close friend of the president and his wife.

NEWS IN BRIEF

Milan magistrates make further arrest

Mr Attilio Bastianini, one of three deputy leaders of Italy's small Liberal Party, was arrested by Milan magistrates on corruption charges yesterday, writes Robert Graham in Rome.

The arrest of Mr Bastianini, a 50-year-old lecturer at Turin's prestigious Politecnico, was based on allegations of receiving £250m (£110,000) in relation to a contract with Anas, the state roads authority. Anas contracts now constitute the largest single area of investigation by magistrates nationwide, and this week were responsible for raising to 86 the number of parliamentarians currently under investigation for corruption-related offences.

Meanwhile, Belgian justice officials have requested the assistance of their Italian colleagues to resolve the mysterious assassination in July 1991 of Mr Andre Coels, the Belgium Socialist deputy premier. The killing is now believed to be related to a pay-off of £70bn on the £550bn contract to supply 46 Augusta helicopters to the Belgian armed forces.

The Belgian authorities have interviewed in recent days Mr Giuseppe Cortese, production manager at the time of Augusta, the helicopter manufacturer owned by Efim, the Italian state holding company controlled by the Socialist Party and now in liquidation. According to leaks from Milan magistrates, Mr Bettino Craxi, the former Socialist leader, is due to be questioned soon about the helicopter sale by Belgian judicial authorities.

Trade commission rules US not harmed by UK rail imports

The US International Trade Commission has brought to an end a dumping suit filed against British steel producers with a ruling that the US industry is not injured by exports of new steel rails from the UK, writes Nancy Dunne in Washington.

The ruling, delivered late on Thursday, came after a 5-1 vote in which only the Commission chairman, Mr Don Newquist, a Democrat, found that the dumping caused injury. Two other Democrats joined three Republicans in the vote.

The outcome sends a reminder to US steel producers, who have filed dozens of dumping and countervailing duty suits against their foreign competitors, that they cannot count on a finding of injury from the non-partisan commission.

The US Commerce Department, which is believed to be more susceptible to political pressure, had found a dumping margin of 70 per cent on the rail imports. The suits were filed by Bethlehem Steel Corporation and CF&I Steel Corporation in November 1992. The US imported almost \$70m worth of rails in 1991 from Japan, the UK, Luxembourg and Germany.

British Steel accounts for the lion's share of the UK's steel rail exports to the US. The privatised steel maker sold 27,000-28,000 tonnes in the US last year, worth \$7m-\$8m and up sharply from the 15,000-16,000 tonnes exported to the US in 1991, adds Andrew Baxter in London.

Yesterday the company welcomed the ITC's decision, but noted that the outcome was only what it has considered all along to have been reasonable.

Romanian government wins crucial vote in parliament

Romania's four-month-old minority government yesterday survived a vote of no confidence brought by pro-reform opposition parties unhappy with the pace and depth of the country's transition to a market economy, writes Virginia Marsh in Bucharest.

With the support of nationalists and ex-communist parties, the left-wing Democratic National Salvation Front government defeated the no confidence motion by 280 to 192 votes.

Opposition parties brought the motion last week after the government presented its four-year governing strategy but refused to allow parliament to vote on it.

The opposition said the strategy failed to specify measures to restructure and stem economic decline, and criticised the government for aiming to raise state involvement in managing market reform - a "dirigism" which, it said, showed the government did not understand the workings of a market economy.

Calcutta bomb death

One person was killed and 11 injured when a bomb exploded at Calcutta's crowded Sealdah station last night, writes Shiraz Siddha in New Delhi.

The explosion is the second in Calcutta in less than four days after a bomb blast in Calcutta's busy Bowbazar area late on Tuesday night left 86 dead, and over 70 injured.

Police say the Calcutta blasts are not linked to the series of bomb attacks which rocked Bombay last Friday, leaving over 250 dead.

Moi spurns 'dictatorial' western donors

By Julian Ozanne in Nairobi

KENYA'S President Daniel arap Moi yesterday threatened to suspend relations with western donors and said Kenya was on the brink of collapse.

The president's move followed the refusal of donors to resume \$40m a month aid payments amid fresh evidence of government backsliding on free market reforms and continued corruption by banks and businessmen.

Bankers and donors said Mr Moi's statement would further destabilise the economy, fuel rapid depreciation of the Kenya shilling and boost inflation, which has already risen to around 50 per cent this year.

Many observers fear the rapid price spiral will spark urban unrest among Kenya's impoverished people.

President Moi said the government was reviewing relations with donors who were forcing "dictatorial and suicidal" reforms on the country.

Mr Moi singled out the International Monetary Fund for criticism, saying the reforms were unrealistic and were causing suffering to the Kenyan people.

"Kenya will no longer agree to policies which are economically suicidal," he said. "The government is to rethink the country's economic arrangements and take the necessary steps it deems fit to safeguard the welfare of the people."

For a month Kenya has tried to woo back badly needed balance of payments aid, which was suspended in 1991 because of corruption, mismanagement and political authoritarianism. The government has partly

liberalised the foreign exchange market and made tentative steps to decontrol prices. But an IMF mission two weeks ago refused to approve the reforms until the government took further measures to reign in excessive liquidity by raising interest rates, cutting the bloated 370,000-strong civil service and taking bolder steps on price liberalisation. Donors who met in London last Monday refused to resume aid until the IMF conditions were met.

In a move that seemed to meet some IMF demands on mopping up liquidity, the government yesterday issued Ksh5bn (261m) worth of three-month Treasury Bills. Bankers who bid for the bills said the interest rate would be around 35 per cent - 10 points lower than the IMF's target.

However, the move was overshadowed by evidence that the central bank this week released Ksh5.4bn through the controversial pre-export financing scheme to two banks - Trade Bank and Exchange Bank.

The pre-export financing scheme has been criticised by donors as one of Kenya's worst corruption scandals, allowing politically connected companies and banks access to cheap Kenya shillings for conversion into foreign exchange and "round tripping".

Last month Mr Musalia Mudavadi, the finance minister, promised that the pre-export financing scheme had been shut down.

Mr Robert Shaw, economic spokesman of the opposition Ford-Kenya, said: "All the old scams are reappearing. It's back to business as usual."

YOUR HEAD IS LOOKING FORWARD TO MARCH 20 AND THE
NEW SWISSAIR BUSINESS CLASS FOR EUROPE. MORE
FOR THE SAME MONEY - SOMETHING EVEN THE COLDEST
FINANCIAL DIRECTOR CAN WARM UP TO.



هكدامن الاصل

NEWS: UK

Treasury transport funding plan doubted

By Richard Tomkins,
Transport Correspondent

THE GOVERNMENT'S view that private-sector money will help fund new railway projects has been sharply contradicted by a detailed report for the Corporation of London, the local authority for the City.

The study, by the London School of Economics, says the solution to London's transport problems lies in higher fares, heavier property taxes

and the introduction of charges for road use, rather than "unrealistic" attempts to get the private sector interested in unprofitable projects.

The report comes just days after the chancellor's Budget speech reaffirmed the government's determination to involve the private sector in funding transport projects - including the £2bn east-west CrossRail scheme for London.

It says investment in public transport projects in London is "so funda-

mentally unprofitable" that private finance will not make a very significant contribution.

"There is a danger that unrealistic aspirations for attracting private finance will divert attention from the real issues and continue to sanction delay," it warns.

"All concerned will have to face up to the hard fact that if new major investment is to take place in London's transport infrastructure then some form of tax financing is going

to have to be the majority source of funds."

The report, by Mr Stephen Glaister and Mr Tony Travers of the London School of Economics, is being published as part of the City Research Project, a three-year study into London's competitive position in international financial services.

It says about £1.9bn a year is needed to fund London's public transport needs.

The Corporation of London

believes that the low rents accompanying London's over-supply of office space make it an attractive place to do business, but the offices will be filled only if there is sufficient capacity in the transport system.

Mr Michael Cassidy, the Corporation of London's policy chairman, said yesterday: "Financial services thrive in city-centre locations and have to be served by rail connections."

"CrossRail, the most important of

the infrastructure improvements for the City of London, would equip the Square Mile to achieve its leadership role in international finance. Without it, yet another opportunity to promote the power house of the nation's invisible earnings capability will have been lost."

The City Research Project: Meeting the Transport Needs of the City. Public Relations Office, Corporation of London, Guildhall, London EC2P 3EJ. Free.

Ruling is sought on BES scheme

A £25m loan-backed Business Expansion Scheme organised by Barclays de Zoete Wedd may have failed to qualify for tax relief due to an oversight on the eve of the Budget. John

Norman Lamont, the chancellor, said in his speech that shares in BES companies had to be issued to shareholders by midnight before the Budget if loans were to be made against them.

Mr Norman Lamont, the

chancellor, said in his speech that shares in BES companies had to be issued to shareholders by midnight before the Budget if loans were to be made against them.

BZW's Gracechurch companies bought repurchased properties from Barclays Bank's loan book. They were launched at the end of February and were fully subscribed within a week.

Earlier this week two other companies, raising money for Oriel College Oxford and the University of Bristol, had to offer to return money to investors after failing to allot shares by the deadline.

Power licence for Marc Rich

THE MARC Rich commodities trading organisation, which is based in Switzerland, has become the first foreign company to be awarded a licence to supply electricity in England and Wales.

Rich claims to be second only to Cargill, the US group, among the world's diversified trading houses, concentrating particularly on oil and aluminium. It publishes no accounts but Mr Marc Rich, who has built up the group since 1974, says turnover is about \$300m (£210m) a year while the net worth is about \$1bn.

Mr Rich is a controversial figure because since 1984 he has been wanted by the US authorities for tax evasion and on charges that he illegally traded with Iran during the hostage crisis. He never visits the UK, which has extradition arrangements with the US.

The Office of Electricity Regulation yesterday granted the Rich organisation a second-tier licence with permission to supply electricity to very large industrial customers, each with demand for at least 1 megawatt.

Rich will buy its electricity from the "pool" or the wholesale market formed after privatisation of the industry.

So far OER has issued 25 second-tier supply licences for England and Wales and 17 for Scotland.

Plan for Rosyth is criticised

ROSYTH Royal Dockyard, the privately-managed life naval facility threatened with losing its nuclear submarine refitting business, said yesterday that a proposal for it to upgrade oil tankers instead was unlikely to work.

The proposal, made last month by the rival Devonport yard in Plymouth, was aimed at finding an alternative use for the incomplete submarine dock project at Rosyth, on which £120m of government money has been spent.

Rosyth's counter-study found the proposal "deeply flawed".

One-day strike called at Ford

A ONE-DAY strike of 8,500 white-collar staff at Ford has been called for Thursday by the MSF white-collar union in protest at the threat of compulsory redundancies. The date coincides with the launch of Ford's Mondeo model.

Foremen at Ford's Dagenham, Swansea and Southampton plants are today due to end the strike they started four days ago against the compulsory redundancy threat. Ford said last night their strike had "made no impact on production".

More TV dishes

THE number of satellite dishes in Britain reached 2,059,000 in January, an increase of 44,000 from December, the latest monthly survey by GFK marketing services shows.

Warning on traffic congestion in London

By Ian Hamilton Fazey,
Northern Correspondent

SIR ALASTAIR Morton, chief executive of Eurotunnel, yesterday warned that if congestion in and around London was not tackled the rest of Britain would suffer.

He told 250 senior managers from many sectors of the economy in Wakefield, West Yorkshire that congestion in London was "a sickly thrombosis - it's a malignant one, almost cancerous."

Speakers at the conference, which was sponsored by IBM, discussed the problems that northern and Scottish companies have when trying to reach markets in continental Europe.

Sir Alastair said that if London was crippled as a world-class capital city the rest of Britain would be harder to reach.

Lord Healey, the former Labour deputy leader, said the north and Scotland had more than 30 per cent of Britain's road freight traffic but received only 16 per cent of the government's budget for new motorways and trunk roads.

He added that rail freight charges had risen 36 per cent in the last year as a prelude to privatisation and more government investment was needed to improve speed of access to European customers.

MPs will challenge agency on lost £21m

By Alison Smith
and Alan Cane

MPs on the Commons public accounts committee are to challenge officials from the Benefits Agency about how the failure of its computer system contributed to the disappearance of some £21m from the agency's accounts.

A report by the National Audit Office revealed that a total of £37m went missing from the 1991-92 accounts for the social fund, which makes loans to people in need for important or emergency purchases. In that total £28m was lost through accountancy errors and a further £2m through "normal" delays in putting new loans into the system.

Mr Robert Sheldon, the Labour chairman of the parliamentary spending watchdog, said the agency should have had much better control systems and should have devised its computerisation more effectively.

The agency said yesterday that the discrepancy had been caused by an inadequate rather than a faulty computer system, and emphasised its belief that only a "small part" of the £21m would have to be written off.

Installed in 1988 when the agency was set up, the system consists of a stand-alone personal computer in each office. It lacks facilities for transferring records electronically from one office to another, and the software is unable to deal with more than one loan per individual.

If someone repaying a loan through deductions in social security benefits moved without leaving a forwarding address any money owed became "lost" in the system.

A new computer system intended to connect individual offices has already been installed in two offices and should link every office by January.

Mr Sheldon was scathing about the way in which the agency had gone about computerisation. Too few government departments made use of the computer expertise that was available to them, he said. He added that the errors were particularly serious since the amounts represented such a large proportion of the cash-limited social fund's £300m-plus annual budget.

Channel rail route angers Kent villages

By Gillian Tett

HOWEVER ANGRY Mr John MacGregor, transport secretary, might feel over the leaked Channel tunnel rail plans, the mood in some of the villages along the proposed line yesterday was even more bitter.

With the plans widely perceived to represent a cheaper - and more environmentally damaging - option than previous proposals, the leak has left residents and council groups in Kent, the main site of the future line, wearily planning a new set of protests.

The plans revealed by Mr John Prescott, shadow trans-

port secretary, show that the line is planned to run mostly overground between the Channel terminal and London, with fewer tunnels than originally expected.

With some details of the leaked plan still to be decided, Kent County Council yesterday refused to speculate on the precise impact of the plans on the region.

Mr Sandy Bruce-Lockhart, chairman of the planning committee, said: "We recognise that you can't build a railway through Kent without causing some environmental harm. But we are insisting that the plans should conform to the highest standards."

Nevertheless, the council admits that the delays in the decision and the nature of the leaks has left many in the area feeling deeply frustrated.

Mr Andrew Rowe, MP for Mid Kent, said: "Nothing in this long-running saga has been well handled and this is no exception."

Meanwhile, along the route of the line the mood was mixed, with most villages greeting the proposals with confusion and anger.

Starting in the west, one area with some cause to celebrate is a six-mile stretch west of the town of Deal, where it seems that the line will run through a tunnel, instead of

overground as once feared. Mrs Molly Tipples, a regional campaigner, said: "Where I live we are obviously delighted."

A few miles further east, the villages are in uproar. Although this part of the line was planned as a tunnel, the new proposals suggest it will run overground, 300 metres past a new housing estate, then slice through a section of the green belt which separates the Maidstone area.

Mr Garreth Thomas, chairman of the Boxley village protest group, said: "We're very disappointed. The land is geographically so important."

He fears that if that section of the green belt vanishes "we could end up with a concentration the size of Manchester."

His anger is echoed six miles further along the route in the village of Harriestham. Villagers originally hoped to have a "cut and cover" tunnel in the area but now also face an over-ground option.

Residents in Harriestham are furious that although British Rail has offered some compensation, it covers only those living within 100 metres of the track and is much lower than the levels of compensation offered in France.

Mr Robert Taylor, chairman

of Harriestham parish council, said: "There are a lot of people here who want to move but cannot sell their houses."

A few miles further east, on another stretch of the over-ground route, the villages of Lenham Heath and Charing fear that they will no longer be protected from the effects of noise pollution.

Mr Martin Pym, a farmer, said: "The prevailing wind will blow all the noise and dust to the village. But now it seems that a lot of the protective fencing will be left out."

He believes that the Department of Transport is "trying to cut the cost to the bone".

UK inflation rate (+1.8%) RPI:138.8 in February

Housing (172)	-2.9%
Motoring (143)	-3.1%
Food (non-seasonal) (130)	+2.5%
Alcoholic drink (80)	+4.9%
Household goods (77)	+1.4%
Clothing & footwear (59)	-0.2%
Household services (48)	+3.6%
Leisure goods (47)	+2.1%
Catering (47)	+5.1%
Fuel & light (47)	-0.5%
Personal goods, serv. (40)	+4.5%
Tobacco (35)	+9.1%
Leisure services (32)	+5.7%
Food (seasonal) (22)	-9.0%
Fares & travel costs (20)	+5.5%

Figures in brackets are weights in retail price index in parts of 1,000. Percentages represent annual % change to February 1993. Source: CSO

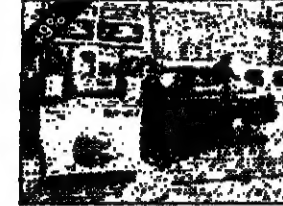
The big changes: bad news starts with the aperitif...



Alcoholic drinks



Water

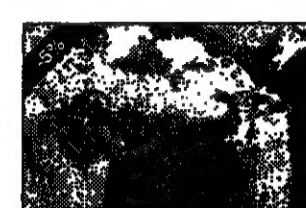


Petrol and oil



Books and newspapers

but good news arrives with the main course and dessert



Lamb



Fruit



Mortgages



Gas

Food, petrol and clothing nudge up inflation rate

By Emma Tucker,
Economics Staff

SHARPER PRICE increases for food, petrol and clothing fuelled the small rises in headline and underlying inflation last month.

Prices rose 0.7 per cent on the month, taking the retail price index to 138.8 and the annual rate to 1.8 per cent. Underlying inflation, which excludes mortgage payments, rose to an annual rate of 3.4 per cent. Food price inflation remains low at 0.5 per cent on an annual basis, but in February food prices rose 1.1 per cent on the previous month, the biggest monthly increase for almost two years.

The Central Statistical Office said the rise occurred mainly because of a sharp increase in seasonal food prices with retailers raising the prices of fresh fruit, vegetables and home-killed lamb by more than in 1992. As a result seasonal

food prices fell only 9 per cent in the 12 months to February compared with 10.4 per cent in the year to January.

In spite of recent reductions in interest rates, housing costs - mainly mortgage interest payments - rose by 0.3 per

cent in February compared with the previous month. The CSO said the rise reflected a small continuing increase in the size of the average outstanding mortgage debt.

The price of household goods rose 0.7 per cent from the previous month, as the cost of furniture and furnishings bounced back after the January sales. The annual rate of inflation for this category of the RPI continued to reflect the sluggishness of the housing market, rising only 1.4 per cent

in the year to February, the lowest rate for six years.

Clothing and footwear prices, which continue to fall on an annual basis, rose by 1.8 per cent month-on-month, reflecting price recoveries after the sharp reductions of the January sales and price increases as the new season's fashions entered the shops.

The second phase of higher telephone charges boosted household service prices by 0.5 per cent on the month and 3.8 per cent in the year to February. Leisure services prices also rose. Increases in excise duties announced in the Budget will not affect the RPI until April. They are expected to add about 0.5 per cent to the index.

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The unhealthy story of where a family spends its money

THE NEW retail price index weightings, which are supposed to reflect how a typical household divides its income, paint a rather disturbing picture of family spending priorities.

Mortgage interest payments still get the single biggest weighting of 48 parts out of the total of 1,000, although this has fallen from last year's weighting of 64. Sweets

and chocolates get the highest weighting in the food category, accounting for 12 parts, while biscuits and cakes get a weighting of 8. Fresh vegetables get 7 parts and fresh fruit a meagre 6.

The cigarette weighting has fallen this year to 31 parts from 32, in spite of price increases. This suggests that families are spending proportionately less on tobacco.

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Clarke looks to ease drink laws

By Ivor Owen,
Parliamentary Correspondent

CHILDREN WILL be able to accompany their parents in pubs, and Continental-style cafes will be permitted to sell alcohol under a relaxation of the licensing laws in England and Wales considered by the government.

Mr Kenneth Clarke, home secretary, yesterday stressed the boost which such changes would provide for the tourism

and leisure industry when calling for comments in a consultation period extending to the end of June.

He told the Commons that he hoped the introduction of more "civilised habits" would curb heavy drinking in addition to widening consumer choice.

Mr Clarke explained that pubs with suitable facilities would be granted a certificate allowing the admission of children under 14 - possibly subject to a 8pm time limit - pro-

viding they were accompanied by an adult.

The Continental-style cafes would be able to sell alcohol with or without a meal, although food and non-alcoholic drink should also be available. Mr Clarke emphasised the government had "absolutely no intention" of relaxing the prohibition on the sale of alcohol to people under 18, and their consumption of alcohol in licensed premises.

He said a further proposal would remove the absolute discretion of licensing justices and, as was already the case in Scotland, limit the grounds for refusing a licence to those specified by statute.

Mr Tony Blair, shadow home secretary, said changes should not result in the interests of local people being cast aside for commercial reasons. He said: "The problem is not pubs wanting to open but prevented by the licensing laws, but the numbers closing."

would remove the absolute discretion of licensing justices and, as was already the case in Scotland, limit the grounds for refusing a licence to those specified by statute.

Mr Tony Blair, shadow home secretary, said changes should not result in the interests of local people being cast aside for commercial reasons. He said: "The problem is not pubs wanting to open but prevented by the licensing laws, but the numbers closing."

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End to antiquated rules welcomed

By Richard Evans

VISITORS to Britain will no longer be quite so bewildered by the country's antiquated licensing laws if the proposals put forward yesterday by Mr Kenneth Clarke, home secretary, are introduced.

The planned reforms were welcomed by brewers, pub companies and tourist authorities.

Reaction was summed up by Camra, the Campaign for Real Ale, which said there was no question of wanting to change the law on when children could drink alcohol "but making the kids drink squash in the pub car park is one of the bizarre British rituals that really ought to be scrapped".

Mr Clarke, who once objected to being called a politician because he preferred real ale, said: "It is time to relax some of the laws which have made most pubs no-go areas for families."

The Brewers' Society strongly welcomed the move to

provide children's certificates for suitable pubs to allow youngsters under the age of 14 to be admitted up to 8pm when accompanied by an adult.

Mr Robin Simpson, the Brewers' Society's director, said: "It is sheer common sense to allow pubs to apply for these certificates and it reflects the fact that pubs are now a modern leisure unit which should

be available for use by all the family. It is also the best way to get over a sensible drinking message to the kids."

Pubmaster, the UK's largest independent pub retailer with more than 2,000 pubs, said the relaxations would bring Britain more into line with the rest of Europe, and in creating more potential business for the licensed trade, was welcome news. This was particularly so

as the chancellor had again hit beer in the Budget.

Whitbread, the brewing group, thought the proposals would help to remove the mystique which surrounded eating and drinking in pubs for many children, and ultimately should lead to more sensible eating and drinking.

Mr Mark Bennett of Alcohol Concern gave the proposals a cautious welcome if they made pubs safer and more sociable rather than heavy drinking shops.

"But there are caveats. We want to know what the criteria will be for giving children's certificates, and we will be pressing for better training for bar staff and for a period of monitoring after the changes have been introduced," he said.

The English Tourist Board said it had been pressing for the relaxation of licensing laws and the idea of children's certificates would make life easier and more pleasant for families.

The certificates are already in use in Scotland.



Kenneth Clarke takes a turn behind the bar at a London pub yesterday to promote his proposals to update the licensing laws

● US court battle could be 'like world war three' ● Government pressure to end dogfight ● Poisoned pill offer rejected

Virgin weighs up legal options in fight against BA

By Robert Rice
and Daniel Green

VIRGIN Atlantic yesterday said it was considering three courses of legal action against British Airways after the breakdown of the negotiations designed to compensate Virgin after BA's alleged "dirty tricks" campaign.

● In Europe under the competition rules of the Treaty of Rome.
● In North America under US anti-trust legislation.
● In the UK under the Data Protection Act and the Computer Misuse Act.

Of the three courses of action a complaint to the European Commission under article 86 of the Treaty of Rome seems the least attractive.

The article prohibits a dominant position in a substantial part of the common market if the position affects trade between EC states.

Virgin's first step would be to lodge a complaint with the European Commission backed by evidence of BA's anti-competitive behaviour.

The commission would then launch an investigation and has extensive powers to request information and carry out on-site inspections of business records. But the investigation could take a long time. The commission is unlikely to pursue the matter with any urgency if the complaints against BA are limited to past conduct.

If the commission eventually found BA guilty of an infringement

it could impose a fine on BA of up to 10 per cent of its worldwide turnover. However Mr Richard Branson, Virgin's chairman, would not recover any damages.

To recover damages for a breach of article 86 he would have to bring a private action in the British courts. The courts have little experience of trying such cases, however, and it could turn out to be a very time-consuming and costly exercise for little reward.

Damages awarded by British courts are tiny when compared with the sums awarded in the US. So, if Mr Branson is determined to press ahead against BA he would do better to sue BA in the US. There, the courts have the option of tripling the damages awarded.

Virgin's lawyers have already looked at suing BA in the US. When gathering evidence of alleged BA dirty tricks in America in advance of the UK high court libel action, lawyers from London firm Harbottle & Lewis met Mr Robert Beckman, the US anti-trust lawyer. Mr Beckman handled the anti-trust lawsuit brought by Sir Freddie Laker, owner of the defunct Laker Airways, against BA over Skytrain which was concluded in 1984.

Mr Beckman will have warned Virgin of the risks of suing in the US. The Laker case became bogged down over the issue of whether the US courts had jurisdiction to hear the case. The federal circuit Court of Appeals eventually ruled that the courts did have the jurisdiction, but

the two parties settled out of court and no legal decision was ever reached on the merits of Mr Laker's claim.

Virgin might avoid such a fight provided it limits its claim to the dirty tricks which allegedly took place in the US. Nevertheless, US anti-trust lawyers warn such an action is fraught with danger.

Virgin would almost certainly be limited to bringing the US equivalent of an article 86 action under section 2 of the Sherman Act, alleging abuse of a monopoly position.

"If BA fights it would be the equivalent of World War Three litigation. It's a very unclear area of the law," one US anti-trust lawyer said.

He warned there would be

problems in defining in which markets there was dominance and in deciding whether the complaint amounted to anti-competitive conduct under the Sherman Act. There would be also any number of appeals on points of law.

"It could take anywhere between five and 10 years to litigate," the lawyer added.

Even if Mr Branson was awarded triple damages it would still be open to BA to sue Virgin in the UK courts under the clawback provisions of the Protection of Trade Act, which is designed to restrict the impact of the jurisdiction of foreign courts over UK companies.

Although this legislation has never been invoked in Britain, it allows for the clawback of up to

two-thirds of a US triple damages award.

Mr Branson also faces problems with using the Data Protection Act and Computer Misuse Act. While the British courts could provide a forum for the revelation of further potentially embarrassing information on BA, the acts are rarely used and involve limited penalties.

Virgin refused to be drawn yesterday on when and which course of legal action it would follow against BA. A decision is promised within a few weeks.

Whatever his final choice, Mr Branson will be aware that he will need a very deep pocket if he is eventually to recoup more than the £2m he was reputedly offered during the settlement negotiations.

From cups of tea... to round-the-clock talks... to a farce

By Paul Belton
and Michael Cassell

IT ALL started politely enough over countless cups of tea in the ground-floor drawing room of Richard Branson's elegant Holland Park mansion.

For 90 minutes on Monday, January 25, the flamboyant head of Virgin Atlantic, perched on the edge of his armchair, chatted amiably with Sir Colin Marshall, the hard nosed and somewhat more conventional chief executive of British Airways.

Both men were anxious to bury the hatchet after a messy, damaging and sometimes squalid battle which threatened to spiral out of control. A fortnight earlier BA had attempted to end its long-running "dirty tricks" dispute with Virgin when it apologised in the High Court for its underhand behaviour and paid £250,000 in libel damages.

Branson, in spite of the settlement, was still fuming at what he always saw as an attempt by BA to drive his smaller airline out of business. The day after Virgin's court victory, Sir Freddie Laker, whose own airline was forced out of business 10 years earlier, had telephoned from Florida to congratulate Branson and to offer a succinct piece of advice: "Sue the bastards".

The Virgin boss now wanted a lot more than £250,000. He sought millions from BA for the damage inflicted on his fleet of eight jumbos, with a commitment never again to treat a competitor so shabbily. He threatened a barrage of legal action against the US and Europe if BA refused.

In spite of BA hopes that the High Court hearing would represent the end of the affair, the airline knew it had to talk. Branson was not a man to give up easily and the mere threat, deftly dropped into the odd conversation, that he had far more damaging evidence could not be dismissed lightly.

Both sides were also under increasing pressure from the government to settle a dogfight

which ministers believed was giving the British airline industry a bad name.

At their Holland Park summit Branson and Marshall were joined by Trevor Abbott, Virgin group managing director, and Robert Ayling, his opposite number at BA. Marshall kicked off with a statement repeating his airline's apologies and providing assurances that he had not been involved in any campaign.

Like dishes on a menu, Branson then reeled off the issues he expected both sides to cover during talks designed to reach

The draft contained a poisoned pill. BA was now insisting on a strict confidentiality clause and the return of documents, setting out the "dirty tricks" allegations against BA, which had forced the airline into a High Court settlement.

a final peace settlement. High on the list was a pledge by BA not to make any further improper use of Virgin computer information and an end to passenger poaching.

Marshall and Branson seemed to take it in their stride. They emerged, smiling and joking, to tell the press, who had been kept entertained in Branson's dining room, that talks would start at once.

Sir Colin was to fly out of the country on business, so he left Ayling to fix up an early meeting with Abbott and start the hard bargaining. Lawyers constantly on hand, Abbott and Ayling started to meet regularly at Enserch House, BA's London offices in St James's Square. Occasionally they convened at Linklater and Paines, the airline's solicitors.

The talks quickly became

bogged down. An insider said: "It was quite clear that BA's lawyers were, initially, just intent upon finding out what else we might have on them."

On February 5 BA announced that Lord King was stepping down in a surprise move, his departure scheduled for the end of his 12-year reign handed Sir Colin the executive chairman role he had always wanted.

Ten days later the negotiations came close to collapse. In spite of a mutual pledge that neither side would disclose any details until an agreement was signed, Branson awoke to find Sunday newspapers carrying the terms of an offer included in a letter from BA to Virgin.

His fury at BA's apparent lack of good faith intensified on press suggestions that his side had leaked the terms of BA's offer. The theory was killed when it emerged that the letter was a draft which had never left BA's hands.

That Sunday Branson wrote a long and angry letter to Sir Michael Angus, BA's deputy chairman. The letter challenged statements by BA's lawyers that the airline's directors had not known about the "dirty tricks" campaign.

Branson focused on the specific issue of computer access. Virgin had accused BA of tapping into its computer reservation information for the past three years and that it had continued to do so last summer even after Virgin's lawyers had formally complained to BA.

In any case, the offer BA leaked to the Sunday newspapers was unacceptable. The UK flag carrier proposed to pay Virgin £25m to settle a long-standing dispute and also suggested arbitration procedures to determine Virgin's claims for commercial damages.

The Branson letter brought BA back to the negotiating table and Lord Calthness, the aviation minister, urged Branson to try to settle to avoid a damaging legal battle in the US.



Richard Branson

When the talks resumed after an apology from Sir Colin for the previous weekend's events the lawyers took the strain. As the days passed Gerard Tyrell and Colin Howes, the Harbottle and Lewis lawyers working for Branson, fought for 48 hours to stay awake as they sparred with an army of legal experts from Linklaters, Simmonds and Simmonds - representing the non-executive directors - and Sullivan and Cromwell.

Working in shifts up to 20 BA lawyers kept one session going for 25 hours without a break. A Virgin official said: "BA's view appeared to be that they were buying Virgin's silence, not that they were compensating us for the 'dirty tricks' campaign."

By February 18 Abbott had presented a compromise package to Ayling. Talks to hammer out the compromise intensified but on February 22 they risked being derailed with fresh press disclosures suggesting BA was still poaching Virgin passengers in California.

The same day Branson rushed to Heathrow Airport to indulge in the type of highly effective self-promotion which has become his hallmark. Opening the new Virgin Club



Timetable of confrontation

1987 British Airways buys British Caledonian, which services Virgin aircraft. BA raises maintenance charges and tells Virgin it will not service additional routes to its fleet.	1991 Virgin obtains copy of confidential BA report on Virgin's business compiled by public relations consultant Brian Basham.	1992 Virgin wins extra slots at Tokyo and is attacked by BA for expansionist ambitions. Branson objects to Lord King.	1992 Lord King denies allegations and accuses Virgin of a publicity stunt.
1990 Virgin experiences problems in getting access to BA training facilities. In the autumn, Virgin engages Lord King by flying British holidays out of Iraq.	1991 Branson writes to BA non-executive directors alleging "black propaganda" to discredit his airline. The charge is rejected.	1992 November Lord King offers out-of-court settlement to Branson which is rejected.	1993 March Lord King offers six months early and David Burnside, BA's head of public relations, leaves. BA offers Virgin £25m compensation.
1990 BA launches ticket price war on Virgin routes. Richard Branson begins a file on alleged BA anti-competitive activities and threatens EC action.	1992 January Thames Television reveals BA "dirty tricks" campaign against Virgin.	1993 January Branson accepts public apology and £250,000 damages in High Court settlement. He still demands compensation for commercial damage.	1993 March 19 Virgin's patience runs out. Branson decides to sue and calls for DTI inquiry.



Colin Marshall

house, complete with music room, massage and manicure parlours, Branson vowed to make flying fun.

He had a more serious message for BA, issuing another public ultimatum to his competitor to settle immediately or face a bruising legal battle.

The following day a meeting was held at Branson's home between the Virgin boss, Abbott, Ayling and Michael Davies, a BA non-executive director standing in for Sir Michael Angus.

Branson told them he would settle the dispute for around £12.5m - £13m which would cover both the maintenance row and passenger poaching claims.

On March 1, BA came back with a draft contract including a counter offer of £2m. With some BA directors suggesting the figure was unnecessarily generous, it was to be BA's last cash offer.

The draft, however, contained a poisoned pill. BA was now insisting on a strict confidentiality clause and the return of documents setting out the "dirty tricks" allegations against BA which had forced the airline into a High Court settlement.

Although he would accept

the £2m cash payment, Branson flatly rejected any suggestion that his company should be permanently gagged. Neither would he tolerate returning the court documents if BA intended to shred them. He suggested they should be held by lawyers at least until both companies enjoyed a better relationship.

An angry Branson told Sir Michael Angus that the idea of a gag was contemptible. Such were the conditions being laid down by lawyers, he complained, any autobiography he should one day write would have to pretend the affair never happened. Setting yet another deadline he told BA: "settle by 4pm Friday or we'll see you in court."

The following day, with the talks deadlocked, Branson used an address to the Royal Aeronautical Society asking the government to give smaller UK airlines a fair crack of the whip in competing for business against BA. He could not resist a jibe, thanking BA for its "generosity" in checking, at absolutely no cost to Virgin, his airline's computer records.

Two days later, after Sir Colin and Ayling had found themselves facing criticism of

their airline's behaviour from some MPs at a meeting of the Commons all-party Aviation Group, talks were back on to resolve the gagging and shredding issues.

As the hours ticked away towards 4pm on Friday March 5, Branson's team drew up a press release announcing the collapse of talks and the decision to pursue BA through the courts. At 3.55pm, a letter arrived from Ayling, telling Branson a more detailed response was on its way.

Once more in the game of bluff and counter bluff, the Virgin camp lifted the deadline. When it came, however, the counter offer was still not acceptable to Branson. Although BA proposed to keep the "dirty tricks" documents for five years, the Virgin boss felt he still faced an unacceptable vow of silence.

That Sunday, Branson flew to New York as his lawyers digested the contents of BA's latest offer and prepared another response. When Branson returned to London four days later, both sides were still bogged down in a legalistic tussle which increasingly threatened their credibility in the eyes of those watching.

The log-jam continued for

seven more days, in large part because BA's top management were engaged on another front with the airline's USAir deal coming to a head. Ayling had to fly off at a moment's notice to the US where the new Clinton administration was about to pronounce itself on BA's \$300m investment in USAir. The USAir deal, much to BA's relief, was cleared last Monday.

Back in London, Ayling sent a letter to Virgin saying that BA was prepared to continue negotiating but not prepared to accept arbitrary deadlines repeatedly set by Branson.

Virgin said Ayling's latest and long-awaited response was still totally unacceptable because it continued to insist on gagging Branson. "This is turning into a Brian Rix farce and even farces don't run for so long in the West End," said Abbott, and reset deadlines. It was enough. After Branson returned yesterday from the US he announced that he was breaking off talks with BA and that he was starting legal proceedings against the UK flag carrier's conduct in the UK, EC, an US courts. The battle which lies ahead could make recent events look like a minor dogfight.

ITC supports Granada TV

By Gary Mead,
Marketing Correspondent

THE INDEPENDENT Television Commission has rejected charges that Granada TV is in breach of the conditions of its broadcasting licence, a claim made last month by Ms Ann Clwyd, the shadow heritage secretary.

Ms Clwyd alleged that Granada was renegeing on promises made in its franchise application that it would make 20 prestige drama and film productions.

She further accused the company of putting profits before quality. Granada TV issued a vigorous rebuttal of the allegations, which the ITC has totally supported.

In its ruling yesterday the ITC, the commercial network's supervisory authority, said "there is no evidence that the licence conditions will not be met".

The ITC pointed out that while there has been a "significant number changes in board membership", 10 of the 17 senior staff members named in Granada's successful franchise bid are still with the company.

Mr Clwyd said that Granada's Liverpool news operation - a key element of its commit-

ment to regional programming - had been closed down, which the ITC said was incorrect.

The ruling added: "The ITC will continue to monitor the performance of all its licensees against their licence conditions." It "totally refutes" Ms Clwyd's "unfounded and unsubstantiated allegations that the ITC is failing in its regulatory duties".

Ms Clwyd intends raising the matter again in the House of Commons on Monday.

Mr Charles Allen, Granada's chief executive, welcomed the ITC's ruling, adding that Granada's commitment "to the highest quality regional and network programmes continues stronger than ever before".

● The ITC signalled yesterday that it is closely monitoring developments at Yorkshire Television. Yorkshire took over Tyne Tees in 1992. The ITC is concerned that the merged company will abide by ITC requirements to continue regional broadcasting in the former Tyne Tees region.

● The pornographic satellite television channel Red Hot Television, formerly titled Red Hot Dutch, is to be banned in the UK, the government said yesterday.

Concern over undertaking on role by BBC governors

By Gary Mead, Alison Smith and
Richard Lapper

DOUBTS WERE being expressed at senior levels in the BBC last night that the corporation's governors intended to follow through an undertaking made on Thursday to clearly define their roles and responsibilities.

It emerged yesterday that the governors had been angered by criticisms of their role in the appointment of Mr John Birt, first as deputy director-general and then, from January 1 this year, as director-general. Those criticisms, by the BBC's 41-member general advisory council, have apparently encouraged the governors to dig their heels in and resist pressure to undertake a thorough reform of their role.

One senior source at the BBC said yesterday: "The only thing that is likely to change the mood of the governors now is if any of the general advisory council members threaten to resign in protest."

The dominance of Mr Marmaduke Hussey, chairman of the board of governors, over the activities of the board of governors will not be affected by Thursday's statement. A source close to the governors said things would go on as before.

Four of the governors, including Lord Barnett, vice-chairman, are due to retire at the end of July. However, even after they are gone the chairman will still be there, as will the BBC's director-general, said a figure in the BBC yesterday.

The general advisory council is not due to meet again for several months. But several of its members, including Mr Robert MacClemens, Liberal Democrat home affairs spokesman, have

indicated their firm wish that Mr Hussey should resign.

Were pressure from the council to eventually force a much firmer intention of the board of governors to redefine its responsibilities and activities, a political dimension would enter the future. Depending on how far-reaching reform of the governors' practices were to be, the BBC charter itself may have to be amended.

That amendment could be made only with the agreement of Mr Peter Brooke, the national heritage secretary, and would have to be approved by parliament.

Meanwhile, it was still unclear yesterday whether Mr Birt has agreed to give a financial indemnity to the BBC if problems with the Inland Revenue emerged due to a reassessment of his tax status.

Some accountants believe that if Mr Birt was judged to have been an employee of the BBC for tax purposes it would be possible for the Inland Revenue to claw back PAYE tax liabilities and national insurance contributions from the BBC.

Ministers flock to laud prospects for economy

By Alison Smith

SENIOR ministers yesterday projected an upbeat message on British economic prospects, coupling it with praise for the Budget which they claimed had set the UK on the path to sustainable growth.

Ministers' optimism was part of an orchestrated attempt to drown out "doom-mongers" - who have been condemned by Mr John Major.

Ministers want to shift the agenda of economic discussion towards the Budget's benefits for business and away from the implications for the needy of the extension of VAT

to domestic fuel and power.

Until recently, some ministers have been reluctant to claim in public that they, too, have detected "green shoots" of economic recovery, apparently first sighted by Mr Norman Lamont, the chancellor, at the Tory party conference in 1991. Their fear has been that their slighting might be equally short-lived.

Yesterday's ministerial speeches contrasted the UK's grounds for economic confidence with the recession elsewhere. Mr Douglas Hurd, the foreign secretary, said: "Recovery is not yet secure but our prospects are looking brighter,

while for many countries they are looking bleaker."

Mr William Waldegrave, the public service minister, told his Bristol West constituents: "At a time when other countries are facing growing economic difficulties, the skies over Britain are becoming brighter."

Mr Stephen Dorrell, the Treasury financial secretary, told a meeting in his Loughborough constituency: "This has been a five-star week for Britain. Why won't Britain welcome it?"

Labour continued to pursue ministers on VAT and on their "betrayal" of their election promises not to raise taxes.

Compromise agreed over police shake-up plan

By Alison Smith
and Alan Pike

MINISTERS have agreed a compromise over proposals by Mr Kenneth Clarke, home secretary, which would have led to a radical reorganisation of the police service at the expense of local councils.

Mr Clarke's original plans would have shifted all police funding to Whitehall, and elected councillors would have lost their majority on police authorities.

Compromise proposals, expected to be announced next week, will ensure that there is a continuing role for council-

lors. They are expected to retain about half the places on police authorities. The others will be filled by home office appointees, taking account of ministers' desire to see the business community more involved in running the police.

There are also signs that the 43 police forces in England and Wales will not immediately be halved in number. Mr Clarke is likely to underlie that the proposed power to merge police forces should be exercised only after consultation.

Chief constables meeting at an Association of Chief Police Officers seminar yesterday said that it would be "madness" for

Mr Clarke to change police force boundaries in advance of the forthcoming local government reorganisation. They called for any eventual reorganisation to be based on a level-headed business case rather than "unquantified gut feelings."

Although the chief constables accepted the case for additional members of the public serving on police authorities, they said the link with elected members of local authorities must not be lost. "Officers serve the people, not the state," said Mr John Burrow, ACPO president, after the meeting.

FINANCIAL TIMES

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Saturday March 20 1993

World on the trade brink

TRADE FRICTION is increasingly likely to undermine western co-operation. Short-sighted decisions made by myopic decision-makers may do untold damage to the hopes of billions of people around the world.

The background is inauspicious. With the collapse of the former Soviet Union, the strategic glue binding the western economies, has dissolved. Where once there was a nuclear-armed colossus to fear, there are now beggars to shrug aside. To its credit, the Clinton administration wants the west to unite to help rebuild Russia. Unfortunately, squabbles over how to share the burden now divide the west, whereas the threat once presented by the Soviet Union united it.

The less than happy state of most major economies makes co-operation still more difficult. The exception is the US. This week's announcement that US output was up by 0.4 per cent in February and 4.3 per cent over the past 12 months merely confirms that Mr Clinton must be the luckiest - and Mr George Bush the unluckiest - politician on earth.

Others have been less fortunate. The UK economy may now be recovering after its two and a half years or so in recession, but only after a policy volte face forced upon a recalcitrant government by the foreign exchange markets. In the other major industrial countries, the picture is darker still.

The British Treasury forecasts a fall of 1 per cent in the combined gross domestic product of the three largest continental European economies in 1993, following an increase of only 1.4 per cent last year. German GDP may even fall by 1.4 per cent this year, it argues. Yet neither the grim economic tidings nor the much vaunted "solidarity pact" have been enough to transform the Bundesbank's caution. For the rest of Europe, the Bundesbank's monetary policy feels like the death of a thousand small interest rate cuts.

Further stimulus

Meanwhile, the Japanese government is contemplating a second major fiscal package, to follow the ¥10,700bn (\$82.5bn) emergency increase in public works spending announced last autumn. Since the British Treasury's forecast is for a mere 1 per cent increase in Japanese gross national product between 1992 and 1993, following 1.5 per cent last year, such a boost would seem inevitable. But the trade surplus, which reached \$10.55bn in February alone, is the most important reason for further stimulus, since it has become an increasingly significant focus of tension, particularly with the US.

The Japanese trade surplus is as

much an excuse for the friction as its cause. Washington is in the grip of what looks increasingly like a new policy paradigm, one that is bound to make trade relations with the US more difficult. Where once US trade policy was aimed at agreement on legal and administrative processes, it is now aimed increasingly at achieving specific quantitative results. Where once it was multilateral, it is increasingly bilateral or unilateral.

Specific commitment

The prime example of the new policy paradigm is the 1986 semi-conductor pact, progress on which is due to be reviewed by US and Japanese trade officials in Hawaii this weekend. For many Americans this is the example of how trade should be conducted with Japan. They particularly like the specific commitment to a 30 per cent foreign share of the Japanese market which they believe it contained. To this, the Japanese reply that there was no such commitment. They also assert that no market economy could make such a commitment. Fortunately, the immediate dispute has been defused by the news that the Japanese have reached the "target" they insist is not at target at all.

While the US is apparently intent on turning Japan into the "Japan Inc" that Americans complain it already is, it has not left its trade relations with the European Community in peace either. Fortunately, the threat of immediate US sanctions over public procurement has been lifted. But US policy towards the Uruguay Round of multilateral trade negotiations remains extremely obscure.

It is an obscurity that some in the EC, particularly the government most likely to emerge from the coming French elections, may want to exploit. That government will, after all, be elected largely because the economy suffers from rising unemployment and is burdened by short-term real interest rates at around 8 per cent. Protectionism is almost inevitable. The conservative parties are already committed to reviewing the farm reform of the EC. They are no less committed to changing the agreement on farm trade negotiated with the US last year. Since the US apparently wants precisely the same thing, further conflict would seem inevitable.

The mistake on all sides has been a failure to recognise that harmonious trade relations have now become more central rather than less. It would be a bitter irony if only the collapse of Russia's reforming government were to restore the co-operation among the industrial countries that is now so sorely lacking.

One of the most striking features of this week's Budget was the chancellor's evident desire to flatter and cajole the nation's manufacturers. The government's alarm about the state of UK industry is not new, nor is its desire to spur manufacturers into an investment-led recovery. But Mr Lamont's efforts went beyond persuasion. On company tax, export aid and small company legislation, he appeared to be offering cash on the nail.

If early reactions are a guide, he has largely failed to convince. Most manufacturers see the Budget as having at best a neutral effect on their business. Mr Andrew Teare, chief executive of English China Clays, goes further: "What happened this week heightened the attraction of investing overseas."

It might be argued that managers are not always at their best when wrestling with macro-economic concepts. As one of Britain's most senior industrialists caustically remarks: "When all these businessmen react to the Budget the next day, they don't know what the hell they're talking about." But in a sense this is irrelevant. The government is seeking to instil in manufacturers the confidence to spend money. When it comes to confidence, perception is everything.

Most industrialists agree that there is a scent of recovery in the air, though they disagree on how far they trust it. But Mr Chris Masters, chief executive of the distribution and industrial services group Christian Salvesen, speaks for many when he says: "The government has been elected for another four years, but it appears policy can change by the hour. We'd like some faith that policy is being adhered to, almost whether it's right or wrong. What is our interest rate policy? What's our long-term policy on exchange rates? Are we raising taxes or lowering them?"

Mr Teare has a more specific worry: the Budget's proposals for future increases in personal tax. "There's some pretty tough medicine there for the man in the street. People's costs are going to go up now for three years. They know that. That's going to build up pressure on the wage front again, and that isn't good news for companies like ours which are big exporters."

For the government, such reactions are doubtless unsurprising. But when it comes to specific measures to help industry, it could with justice argue that it has acted on a number of issues which industry has pressed on it for years: in particular, export credits, advance corporation tax and infrastructure projects.

Even here, the response is grudging.

Rentokil, best known for pest control, put a cat among the pigeons on Thursday by raising its dividend in response to the chancellor's Budget.

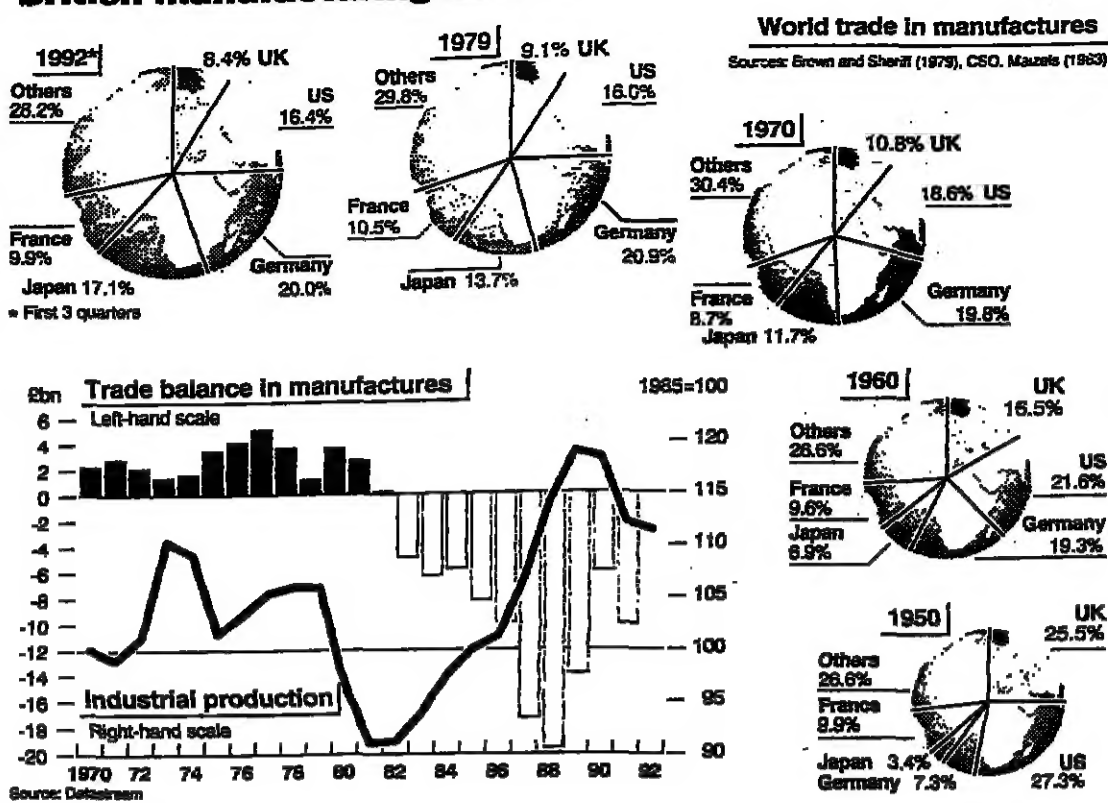
The increase aimed to compensate shareholders who do not pay tax, for example pension funds. These shareholders stood to lose out because, under Budget changes to advance corporation tax (ACT), they will receive a lower rate of tax credit on UK dividends. Fears about lower effective dividends for pension funds, the stock market's biggest investors, were one reason share prices fell on Wednesday.

Rentokil's move, which was not what the chancellor intended to happen, may add to pressure from institutions for other companies to follow suit. However, only a few companies with high dividend and

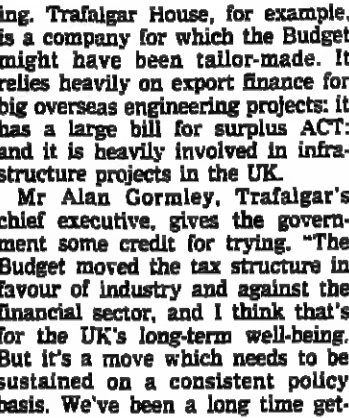
UK manufacturers have had a cool response to the Budget but welcome efforts to boost morale, says Tony Jackson

Charm offensive with some value

British manufacturing decline



Trade balance in manufactures



Industrial production

Source: Datastream

ing. Trafalgar House, for example, is a company for which the Budget might have been tailor-made. It relies heavily on export finance for big overseas engineering projects: it has a large bill for surplus ACT; and it is heavily involved in infrastructure projects in the UK.

Mr Alan Gormley, Trafalgar's chief executive, gives the government some credit for trying. "The Budget moved the tax structure in favour of industry and against the financial sector, and I think that's for the UK's long-term well-being. But it's a move which needs to be sustained on a consistent policy basis. We've been a long time getting the economy into this state, and we'll be a long time rebalancing it."

On the specifics, Mr Gormley is less generous. Take export credits. "The previous regime was ridiculous. It clearly penalised UK exporters against the competition. What we've seen in the past two years is the UK moving back closer to the middle ground. They're not there yet."

Or take ACT. "The most positive thing I can say is that it's on the agenda. The government is recognising it's a real issue. I'm not sure the solutions proposed are the right ones."

UK water companies, which pay no corporation tax because of high capital allowances, are likely to

face calls for higher dividend payments. These calls may be hard to resist, because water shares are valued as high-yield stocks.

"I can understand institutions wanting compensation, but it's just another factor which will have to be considered at year-end," according to Mr David Luffrum, group finance director at Thames Water.

The ACT changes will also affect corporate pension funds, which will receive the same reduced dividends as institutional pension fund shareholders. For some companies, this could mean the benefit of lower ACT is balanced out by higher pension contributions. In other cases, pension fund valuations will have to be reviewed because previously assumed rates of dividend growth may no longer be valid.

An irresistible force

Dividends are in the spotlight, says Angus Foster

interest cover will be able to afford that luxury.

"Given that dividend cover is at a low level because of recession, I would guess there is only a minority of companies which can afford a dividend increase," according to Mr David Gray, head of research at James Caple, the stockbroker.

The Budget changes are complex, and many companies are still working out the full implications. But most observers say companies in the banking, construction and engineering sectors still need to restore dividend cover and have no room to compensate investors by lifting div-

idends. Utilities, however, could increase pay-outs because of strong balance sheets inherited from privatisation and low borrowings.

Mr Gerald Corbett, finance director at building materials group Redland, said he wanted to restore dividend cover first. Lower ACT rates would save the company £10m a year and improve cash flow.

"The positive effect on the company of lower ACT will more than compensate gross (untaxed) funds for their loss of earnings," he said.

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Chris Pearce, Rentokil's finance director, says: "The change in ACT was announced as a positive step for British industry. But the chancellor did it to raise money. We had to put the dividend up by £1.1m. So there was a net cost to us of £700,000 to put our shareholders back where they would have been before."

Mr Teare of English China Clays takes the argument further. If companies do not increase their dividends, he points out, the pension funds which they finance will have to carry the burden. "Who's going to pay the bill? Or are pension benefits going to have to come down? The benign period we've been through of pension surpluses and improved benefits would come to a staggering halt. All of that isn't the greatest background to consider most investment in manufacturing industry in the UK."

Despite the carping, few businessmen will deny that taken all round, the government's charm offensive has its value. Mr Juergen Gerhrels, UK head of the German electronics giant Siemens, says he feels no different after the Budget than he did before. "But it is very important that the government has identified itself with manufacturing. People working in manufacturing in the UK have a lower standing than in Germany. This conviction that manufacturing has an important role to play is definitely good for morale."

A senior executive with one of the UK's biggest manufacturers agrees. "We do believe there has been a fundamental shift in thinking. There's more being done now about manufacturing through the Department of Trade and Industry than for twenty years or more, and that's making manufacturers much happier."

And after all, it is possible that the chancellor is in luck. Recovery may be taking place anyway, whatever the government does. Most industrialists this week described it as patchy and fragile, but not all of them.

Mr Gerhrels of Siemens runs a UK business with annual sales approaching £1bn. "I'm much more optimistic than I was a year ago. Most of our business lags the economy, since it is in infrastructure projects. But we also make components for consumer electronics manufacturers, and there has been a definite upturn there since the start of the year. We're 30 per cent ahead of what we expected, and for me this is an economic indicator. I think we see light at the end of the tunnel."

"Either way, people with pension fund surpluses may find them being used up quicker than first expected," according to another finance director.

The ACT changes will be phased in over the next year, and the new 20 per cent rate only takes effect from April 6 next year. Companies paying dividends in the weeks or months ahead of this date will be sorely tempted to delay payment and qualify for the lower rate.

One company, Rathbone Brothers, an asset management group, has already jumped the gun. It is bringing forward its interim dividend payment by two weeks to avoid the new ACT rules.

There was a self-consciously poignant moment this week as Mr Norman Lamont set about persuading the British people that they would one day applaud him for putting up their taxes.

Sharing for an instant the burden of his office with a few million television viewers, Mr Lamont recalled the judgment of a colleague. Good chancellors, this wise soul had explained, were invariably unpopular. Mr Lamont allowed himself a chuckle. By that standard, he sometimes thought he was the best guardian of the nation's finances there had ever been.

This weekend as he contemplates the public mood after his third and perhaps (just perhaps) his last Budget, Mr Lamont can hardly be blamed for seeking solace. Before Tuesday's package he was unpopular with the voters. After it, he will

The tabloids reminded Lamont he could not claim to be clearing up another government's mess

be more deeply so.

The reaction was not all bad. The broadsheet newspapers by and large judged that in the circumstances (and that is an important caveat) he had done something like the right thing. Faced with a £1bn-a-week Budget deficit, there was no option but to raise taxes. Cutting tax allowances such as mortgage interest relief and extending valued-added tax was probably the best way to do it. The "green" edges provided by a higher tax on heating and fuel went down well with the chattering classes.

The Conservative party at Westminster offered a broadly similar assessment, though their unease at the extension of VAT to domestic fuel forced another of those by now ubiquitous government U-turns. A significant chunk of the extra revenue will have to be spent on offsetting help for the poorest.

But the tabloid press, more attuned than the politicians and

journalists who inhabit the Westminster village to the mood in the pubs, was far less generous. It reminded the chancellor of all those broken promises - offered only a year ago when he was cutting taxes to help the Conservatives win the general election. It seized on the VAT move as an assault on pensioners. It had no doubt that the 1 per cent rise in National Insurance contributions was a disguised increase in the basic rate of income tax.

The tabloids reminded the chancellor more effectively than the Labour party that he could not claim to be clearing up after some other government's mess.

Mr Rupert Murdoch's Sun, which has been harrying Mr Lamont for months over his personal affairs, declared that it was no longer enough for him simply to resign. He should commit himself to a certain kind of hospital.

Mr Lamont was unapologetic. He demonstrated last autumn after sterling's exit from the European exchange rate mechanism that it would take more than a few nasty newspaper editorials to shift him from a job he has always wanted. He has not been singing in his bath this week (apparently he now prefers reading the newspapers during his evening soak). But he is personally buoyant.

Sensibly, he has decided to mend some of the bridges he burnt with the media after the ERM debacle and during the controversy over the Treasury's contribution to a personal legal bill. He has relearned how to smile rather than snarl when criticised. He will stay at No 11 Downing Street for as long as Mr John Major will have him.

The chancellor is convinced that the Budget struck the right balance between nurturing economic recovery in the short-term and bringing down the Budget deficit over the medium term.

He decided on this growth-now-pain-later strategy in January at the Treasury's pre-Budget gathering in Chevening. There was subsequently some debate about how the extra money would be raised. Mr Lamont considered extension of the VAT base to beyond domestic fuel.

His novel plan to encourage the

MAN IN THE NEWS: Norman Lamont

A spoonful of financial pain

The chancellor's current buoyancy has not been affected by an unpopular Budget, says Philip Stephens



long-term unemployed back to work by paying benefits to employers ready to hire them was added late in the day. Mr Lamont spotted the idea in an article in the FT (reading it, of course, in his bath).

But the outline of the macro-economic strategy did not change between Chevening and last Tuesday's speech. Mr Lamont made it clear to the prime minister that he

regarded the pledge to raise an extra £6.5bn in 1994-95 and £10.5bn in 1995-96 as the minimum necessary. He also insisted from the outset that the government would have to legislate for the increases this year if the strategy was to have a shred of credibility in financial markets.

Those who have talked to him since Tuesday have taken away the

suspicion that, left to his own devices, he would have preferred to have been a shade tougher. But there is no evidence of any great row with the prime minister during the Budget's preparation. On the day itself, Mr Major volunteered to his Downing Street aides that the chancellor had come up with the right Budget at the right time.

Mr Lamont wants the tax

increases to be seen alongside the squeeze on public spending set last November in the autumn statements and the 1 to 4 per cent inflation target which has replaced the ERM as the lodestar for monetary policy.

Taken together, he believes all three represent a coherent macro-economic policy which should last the lifetime of the present parliament. He intends to supplement it with an approach to micro-economics which combines the free-market zeal of the Thatcher years with a recognition that government can single out manufacturing industry for help.

His judgment on the politics of the Budget was similarly sanguine. No matter that he raised taxes just a year after promising to cut them. Circumstances, a favourite friend of politicians when pledges are dropped, had changed.

Economic recovery would dim tabloid memories (by yesterday The Sun had been driven to welcome on its front page the fall in unemployment and a pick-up in the housing market). The electorate would thank him for restoring a grip on the economy, for refusing to duck difficult decisions. Had not Lord Howe got it right by being similarly tough in 1981?

Therein lies the gamble. Mr Lamont was probably correct in judging that to have done nothing would have been a more damaging admission of failure. But he may well have been too hopeful.

A ministerial colleague - in admittedly mischievous mood after a good dinner - summed up the chancellor's predicament with a cruelly amusing metaphor. Mr Lamont was like the bank robber who wounded an innocent by-stander while playing his trade. By stopping to ensure an ambulance was called before making his getaway, the robber left the bank convinced that he would be judged a popular hero rather than a villain.

Well, not quite. Mr Lamont cannot take for granted the nation's willingness to forget and forgive. He has staked all on the economic recovery taking hold before the government's finances get any worse. If it does not, then he or his successor

will find themselves repeating the tax-raising exercise in November.

He is assuming that improved housing and labour markets will persuade the public to take the deferred tax increases in their stride; that by the time of the next election in 1996 or 1997, reductions equivalent to 3p or 3p off the basic rate of income tax will restore the Conservatives' tax-cutting credentials. Maybe.

In the meantime, what of Mr Lamont's future? He is 50 and has no inclination to move out of the world of politics he has inhabited for most of his adult life. He would be happy to stay at the Treasury indefinitely. If the prime minister decided he must move, then the only other job that would interest him would be the foreign office.

The chancellor has a case for staying on. His first Budget in 1991 dug the government out of Lady

Mr Major volunteered that the chancellor had come up with the right Budget at the right time

Thatcher's poll tax hole. His second helped win the general election. The ERM debacle cannot be pinned on him without implicating the prime minister. He has already jotted down his own account of the fateful sequence of events which led to Black Wednesday.

The most common assessment at Westminster this week was that the Budget had probably enhanced his chances of remaining. The long-awaited green shoots are showing signs of taking root. He has preempted many of the decisions which a successor might want to take in the first unified Budget in December.

The truth is that Mr Major has not made up his mind about cabinet reshuffles. He will do so only when he manages to set himself free from the political quagmire of the Maastricht treaty. Until then Mr Lamont, like the rest of us, will have to wait and see whether this week's Budget improves with age.



From left, hanging on at the BBC: Marmaduke Hussey and John Birt. Those who decided to go: Bob Horton at BP, Akio Tanii at Matsushita Electric, and John Akers at IBM

When the going gets tough...

To go, or not to go? That is the question raised anew by the resignation of Mr John Birt, director-general of the BBC. Both Mr Birt and Marmaduke Hussey, chairman of the BBC board of governors, appear to have survived a chorus of calls for their heads in a manner which must inspire deep envy among others who have recently put their signatures at the bottom of resignation letters.

In the UK, the events of the past fortnight will lead to a further round of soul-searching over the apparent failure of public figures to resign no matter what has gone wrong.

Mr David Mellor, the arts minister who resigned last summer after an affair with an actress and revelations about a free holiday in Spain as the guest of the daughter of a senior figure within the PLO, might disagree with the common wisdom. So too might Mr Harvey Proctor, the Billerica MP forced to stand down in the 1987 general election after admitting charges of gross indecency.

However, both individuals came to grief over their private lives. Not since the departure in 1982 of Lord Carrington, the foreign secretary, and two junior colleagues following the unexpected revelation of the Falklands Islands by Argentina

Do the tough get going? John Willman on the art of resignation

has any minister felt it necessary to resign because of policy failures.

No one's head has rolled over sterling's ignominious departure from the exchange rate mechanism. Nor, yet, has anyone accepted responsibility for the events over the sale of arms to Iraq revealed by the Matrix-Churchill trial. The debacle over the pit closures has resulted in a sideways transfer of one senior civil servant, but the only people who have joined the unemployment register as a result are miners whose pits are to close.

The rarity with which top people in British public life resign is in sharp contrast to what goes on in industry. Lord King was last month forced into premature retirement from the chairmanship of British Airways to bring an end to continuing controversy over the airline's dirty tricks campaign against Virgin Atlantic.

Mr Bob Horton, chairman and chief executive of British Petroleum, was ousted in June, as profits fell. And last week Mr Christopher Heath, chairman of Baring Securities and once, reputedly, Britain's highest-paid executive, found himself unexpectedly spending more time with his family after a disagreement with the parent company's deputy chairman,

Mr Andrew Tuckey. Overall, 1992 saw some 25 British senior executives leaving their companies unexpectedly, usually under the pressure of poor corporate performance.

US business has also seen a series of high-level resignations, as investors have girded their loins to oust "imperial" chief executives who had previously appeared impregnable.

Last year, for example, Mr Robert Stempel resigned as chairman and chief executive of General Motors. This year, in one week in January alone, Mr John Akers stepped down as chief executive of IBM. Mr James Robinson left the same job at American Express. Mr Paul Lego was ousted as chief executive of Westinghouse and PetroCanada's chief executive, Mr Wilbert Hopper, was "relieved of responsibilities".

In Japan, resignation of top executives has become almost ritualised, as a form of penance for companies in trouble.

In February, for example, Mr Akio Tanii resigned as president of Matsushita Electric, the world's largest consumer elec-

tronics group and owner of MCA, the US film studio. Mr Tanii said he was taking responsibility for the involvement of National Lease, a subsidiary, in a financial scandal that rocked Japan in the summer of 1991. "I felt it was important to clarify responsibility for certain unfortunate matters that occurred during my presidency," Mr Tanii said. Japanese politicians also follow this practice, to the extent that the ruling Liberal Democrats were in danger of running out of candidates for top jobs after the recent spate of corruption scandals.

Under the presidency of Mr Bill Clinton, resignation of US politicians could also become much more common if the precedent of the confirmation hearings is to be followed. Two female candidates resigned before reaching first base at the Justice Department because they had employed illegal immigrants as babysitters.

Whatever the country or the job, there can be benefits in tendering a prompt resignation. Bob Horton, for example,

has quickly found a new ship of industry to captain: he is chairman-designate of Railtrack, the state-owned body set up to run Britain's railway tracks after privatisation.

Lord Callaghan, Britain's last Labour prime minister, is probably the best advertisement for taking the blame quickly and publicly. He resigned as chancellor of the exchequer in 1977, immediately after Britain's Labour government was forced to break a manifesto promise and devalue the pound. Shifted sideways to the post of home secretary, he later became foreign secretary, before reaching Downing Street as the first prime minister this century to have held all three great offices of state.

But the BBC episode demonstrates that there is still plenty of scope for avoiding the big R in British public life. In that case, having a divided board has proved a great asset for Mr Birt and Mr Hussey. The failure of the BBC's directors to agree that they should go has been an important reason for their survival.

Another valuable security device is the possibility of collective guilt which implicates as many others as possible in the issue in question. Mr Norman Lamont, the chancellor at the time of sterling's

departure from the ERM, could rightly claim that his economic policy had been endorsed by the cabinet in general and the prime minister in particular. If he went, they went, the argument ran. Unsurprisingly, he stayed.

Greater openness of government may encourage increased use of this stratagem. The publication of membership of cabinet committees makes it much clearer that responsibilities for events and political decisions are usually shared by several ministers.

If all else fails, resignation can often be deferred until everyone has calmed down by setting up an inquiry. The inquiry set up into the arms for the Iraq affair is a case in point. Lord Justice Scott can be expected to apply his noted forensic skills to the inquiry, but his report will appear nine months or more after the events in question. By then, nobody is likely to feel the need to resign.

The clear message, in the UK at least, is that people in public life can rarely be forced out if they keep their heads and the backing of the people who appoint them. If these conditions are met, premature departure can be avoided. Even when the press and media are in full pursuit – as in the case of the BBC and Mr Hussey – it is possible to frustrate the pack.

Peter Bruce visits Andorra, Europe's newest sovereign state

The mouse that roared

Come back in a few months," says Mr Xavier Esport, Andorra's minister for tourism and sport, rubbing his hands. "This is going to be very interesting."

Last Sunday, Andorrans, perched high in their tiny Pyrenean principality between Spain and France, voted overwhelmingly in a referendum to grant themselves their first constitution and to end more than 700 years of feudal rule from "down below" as they call their neighbours.

As far as its people are concerned, Andorra has just become Europe's newest sovereign state. "Now we'll get to see what its like being a real democracy," says Mr Esport.

There is excitement everywhere. In the next few weeks President Francois Mitterrand of France and the Bishop of Urgell in Catalonia, Joan Martí Aladell, will sign the new constitution into law, transferring sovereignty to Andorrans. "Things are going to begin to happen really quickly around here," says Mr Candi Naudi i Mora, a former minister and the country's biggest property developer.

Until recently, Andorrans have been slow to seek change. Since the 13th century the principality has been ruled jointly by the bishops of Urgell in Spain and the French counts of Foix. The Foix title passed to the crown of France in the 15th century and successive French heads of state.

These "co-princes" have enjoyed complete power in Andorra – over commerce, immigration and security. And for centuries Andorrans have wanted it that way.

Even now, in voting sovereignty to themselves, Andorrans have made the co-princes a single constitutional monarch, obliged to sign laws and to be consulted only on foreign policy affairs that directly affect France and Spain.

Slow political development has contrasted with an increased pace of economic change. In the past 30 years Andorra has been transformed from a subsistence economy into a modern tourist mecca. Its towns are lined with expensive duty free goods. Visitors shop and ski. And the 60,000 or so locals have one of Europe's highest standards of living. The country is wealthy and clean. There is practically no crime and no prostitution.

Andorrans pay no taxes, get free education in schools financed by France and Spain and get cheap health care. The local government has until now raised more than 85 per cent of its revenue by charging a small import duty.

No one knows what inflation might be. "We don't have a consumer price index," says Mr Naudi. "And per capita income? Enormous," says the minister for tourism.

More broadly, the industry has to help itself in finding a solution to its "under-funding" by competing with other leisure activities for sponsorship, participants and spectators.

A lot can change in four years in racing. One of those welcoming the VAT change was the head of Mr Michael Stoute's stable. He was sitting on a four-year-old that cost £760,000 as a yearling. But the horse didn't make the grade on the racecourse and has recently been gelded.

That is exactly what could happen to the VAT scheme if owners sit back and neglect the commercial requirements imposed by Customs and Excise.



will have to sign the law. The See of Urgell is the big loser from Andorra's new independence. The Bishop, once so influential that he could determine the credit policies of Andorran banks, failed to make catholicism a state religion in the new constitution and had to fight hard to prevent abortion being legalised. But, under pressure from the Spanish government of Mr Felipe Gonzalez, the See has been forced to accept a reduction of its power.

Andorrans officials say there is no sentiment behind their move to independence. "We just want to be able to do things," says Mr Esport. "The institutions of the old system were incapable of dealing with modern problems."

For a start, the Andorrans want to establish themselves as an offshore financial centre. "We pay no tax but we can't even be a tax haven because we don't have the appropriate laws," says a local lawyer. More importantly, the government wants to scrap legislation banning foreign companies from Andorra.

Officials say they must change such laws to find new sources of income. Freedom from feudal rule is going to be expensive. Between 1989 and last year public spending rose nearly 50 per cent to Ptas20.4bn (£118m) mainly to fund new schools. To finance a growing budget deficit the Andorrans need to create more economic activity – by changing company law and opening up to foreign investors – and then find ways to tax the new sources of wealth.

"We will never have a direct tax here," says Mr Naudi, but there is broad agreement that indirect taxes will have to be introduced, perhaps even a value added tax.

Andorrans fear new taxes just as they fear that continued economic growth will fuel immigration. Resident foreigners already outnumber locals by more than three to one – more than half the population is Spanish. The authorities, seeking to create a stronger sense of national identity, have decided to create more Andorrans. Anyone who has spent more than 30 years in the country or who was born there before 1975 is now eligible for citizenship.

This may not seem very generous, but few foreigners are complaining. "I have another 10 years to wait," says a Basque, resident here for the past two decades. "He will happily give up his Spanish passport when the time comes."

"It's a strange, conservative, place. Everybody, especially the police, knows your business but it's a good price to pay for total security in a civilised country."

Drive into Newmarket and there is no doubting that this is a town built for horses. Signs point to the National Stud, the National Horseracing Museum and the equine veterinary unit. They also warn: "Racehorses for five miles."

The warning may seem odd as visitors take in the beauty of hundreds of the finest horses streaming up Warren hill early on a spring morning. Then a horse shies and leaps, and the hazards become apparent.

A more appropriate warning sign before Tuesday's Budget might have read: "VAT 17.5 per cent." Since Tuesday, however, the shadow has been lifted; horse owners can now register for value-added tax and claim back the payments. The measure applies specifically to racing and no other area of horse ownership.

The benefits will be considerable: for every £10,000 spent on a yearling, nearly £2,000 more is paid in tax; every £1,000 monthly training bill includes about £150 in VAT; every £300 vet's bill has more than £50 added for taxes.

Besides the VAT burden Newmarket has suffered from recession and the UK's relatively low prize money, which provides insufficient compensation to cover high costs. About 400 of the town's 3,000 stables are empty, about a dozen yards are for sale, staff have been laid off.

On top of all this, Tattersalls, the leading bloodstock auction house, had decided to move its most prestigious yearling sale to the Republic of Ireland,

Before the horse has bolted

The Budget has given racehorse owners a boost, says Jane Fuller

where VAT is only 2.5 per cent. In France, VAT is 5.5 per cent. After the Budget measures, Tattersalls is likely to reverse its decision.

One of the reasons behind its thinking was that its principal buyers, the Maktoum brothers of Dubai's ruling family, did not buy at last autumn's sale. Instead, they bought in Ireland and in France, and VAT was one of the reasons for the switch.

Another ominous development was that Darley Stud Management, which looks after two of the Maktoum brothers' interests, allocated 24 per cent fewer yearlings to UK trainers than it had at the end of 1991. France and the US were the main beneficiaries. About half Darley Stud's 750 horses in training internationally are based at Newmarket.

The implications were bad for every aspect of British racing. "Thoroughbred breeders were losing custom and bloodstock prices were falling. Trainers froze or cut their fees to try to keep the smaller owners as the big ones switched horses overseas."

Service providers, such as vets, blacksmiths and horse transporters, were suffering too. And the knock-on effects in a place such as Newmarket extended to hotels, restaurants and even the gentlemen's outfitters, which thrive on the 50 days a year of racing and sales.

Many in the racing lobby



believed that 30,000 jobs were at risk. But now, the same people would have you believe that the chancellor has saved British racing.

Mr Geoffrey Wragg, one of the 65 trainers based in Newmarket, said the VAT relief meant that "for every six horses you have in training you can get one trained free".

Mr Pip Payne, said: "It's a great time to be a racehorse owner. The horses are cheaper, the training is cheaper, there is more racing and more prize money. The industry now has to market itself and generate more owners."

At Mr Alex Scott's yard, where the modern brick buildings have double-glazed windows and the equine pool is

heated, more than half the 75 horses belong to Sheikh Maktoum Al Maktoum, who has yet to reduce his UK string significantly. It is now less likely that he will. But the Americans have gone, partly because "there was nearly 20 per cent extra on the costs in England from VAT".

VAT was not the only reason. Lack of big prizes loomed just as large. As Mr Michael Goodbody, who manages the Sheikh's Gainsborough Stud, says: "First prize in a maiden race in the UK might be £4,000. In Paris £20,000 and in the US \$30,000 (£21,000)."

The VAT concession takes the high cost of UK racing, saving perhaps £20m-£25m of the £150m estimated losses incurred yearly by owners. But

it does nothing to tackle the low income side of the equation represented by low prizes.

Complaints about the small proportion of betting income that is diverted into racing are just as loud as the erstwhile clamour over VAT. But although the cheering was loud on the VAT victory, a few questions are being raised.

The main one is: will all owners benefit? The answer is that they can all register for VAT. But there are a few hurdles.

According to the memorandum of understanding agreed between Customs and Excise and the industry, owners must "seek" sponsorship, appearance money and prize money.

Owners obviously seek the latter – although race courses will now pay VAT on the £40m total prize money involved, which they in turn will claim back. The other two requirements will change racing's traditions, bringing in a degree of commercialism that might raise a few eyebrows among the old guard.

However, the Jockey Club, racing's ruling body, says concessions must be made. Mr David Pipe, director of public affairs, said the ban on advertising in the parade ring would be lifted. Horses will soon sport logos on their rugs and saddle cloths. Jockeys will probably carry them on their boots and breeches, not on their silks.

Appearance money is also a new development. But who

will pay for it? Most of the UK's 99 race courses are not profitable. That leaves the race sponsors or, perhaps, the betting industry.

For Customs and Excise, sponsorship and appearance money will attract VAT, offsetting the tax claimed back by racehorse owners on their expenses.

An indication that the new VAT scheme is not supposed to be a one-way traffic of tax rebates for the industry with no offsetting receipts comes in the following extract from the memorandum: "Customs will review the operation of the scheme... during its fourth year to assess whether the levels of income available to the industry... warrant the scheme's continuing operation."

The message is that if owners want to keep the VAT concession they will have to start treating their hobby as a business.

More broadly, the industry has to help itself in finding a solution to its "under-funding" by competing with other leisure activities for sponsorship, participants and spectators.

A lot can change in four years in racing. One of those welcoming the VAT change was the head of Mr Michael Stoute's stable. He was sitting on a four-year-old that cost £760,000 as a yearling. But the horse didn't make the grade on the racecourse and has recently been gelded.

That is exactly what could happen to the VAT scheme if owners sit back and neglect the commercial requirements imposed by Customs and Excise.

Charities only in name

From Mr Peter Reeves.

Sir, Your article on Britain's Top 50 charities ("Fears grow for charities as cash crisis worsens", March 15) might usefully have highlighted two oddities apparent from the information presented.

The first is the unusually high ratio of funds to expenditure: most charities could support present spending levels for years ahead despite even a sharp fall in current income.

The second is the extension of charitable status to organisations which trade in every important respect like commercial companies but are conveniently exempt from the comparable tax burden. In no meaningful way are they directed towards helping disadvantaged members of society without due financial recompense.

Such organisations warrant a separate description to distinguish them clearly from those whose activities reflect truly charitable intentions.

Peter Reeves, "The Brambles", 23 Hominy Close, Shoreham-by-Sea, West Sussex BN43 5BL

Lesson not learned on stocks

From Mr A C Haken.

Sir, Your report, "More heavy job cuts expected soon at Daf" (March 18), of impending further job losses at Leyland Daf mentions the unacceptably high stock levels found by the receivers. Sophisticated organisations in both manufacturing and retailing sectors learned long ago the importance of obliging their suppliers to make deliveries "just in time". That Leyland

Daf's management appears to have failed in this respect is a sad comment on its competence and justification for complaint by the workforce. It would be interesting to know what over-stocking arose from the import of components from the parent company and its overseas subsidiaries.

Anthony Haken, Bay Cottage, 31 Lower Street, Barning, Norfolk NR1 5AA

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Widely differing views on long-term effect of Budget measures on cost of pensions

From Mr R Wynne-Griffith.

Sir, The changes to advance corporation tax put forward in the Budget will have an effect on the return on equities. This has implications for pension funds as has been pointed out by Lex ("UK equities", March 17).

It is important that this effect is not overlooked: the income yield on equities will fall from 4 per cent to 3.75 per cent as a result of the reduced amount of tax that will be recoverable from the Inland Revenue. However, this reduction in yield represents probably no more than 0.1 per cent or 0.2 per cent of a typical pension fund.

The difference between the performance of a good investment manager and one that is not so good is often very substantially more than this and I

doubt very much that actuaries will advise any significant change to be made to pension fund contributions as a result of such a small change.

Indeed one would hope to see the effect of increased cash flows and the general recovery in the economy producing investment returns which would amply justify a continued investment in equities as against bonds.

One can only hope that dealers in markets as a whole will take a similarly long-term view of the attraction of equities.

R R Wynne-Griffith, Barnett-Waddington & Co, consulting actuaries, 11 Tuford Street, London SW1P 3QB

From Mr A S Cairns.

Sir, The reduction in the tax credit on UK dividends paid to

pension funds is one of the most significant proposals in this year's Budget. The chancellor has, at a stroke, effectively reduced the value of pension fund assets in the UK. This has serious consequences:

● "final salary" pension funds will have to pay higher contributions in the future, unless they cut back on benefits or their employees pay more.

● Individuals with personal pensions will also have to pay more or accept lower pensions in the future.

The Budget proposal should therefore concern a very large proportion of the population but, unless it receives wider coverage in the media, it is unlikely to lose the government many votes at the next election. Indeed the public's ignorance of this issue may

lead the chancellor and his advisers to conclude that pensions are a "soft touch" for further tax in the future.

However, before imposing further tax on pension funds the government should bear in mind that:

● tax incentives are needed to persuade the public to tie up their money in pension schemes (money invested in pension schemes cannot be withdrawn until retirement);

● unless the public makes adequate private pension provision, the government's aim of reducing dependence on the state will not succeed.

Tony Cairns, Bacon & Woodman, actuaries and consultants, Parkside House, Ashley Road, Epsom, Surrey KT18 3BS

BT reckons rates are low

From Mr Michael Hefner.

Sir, National Utility Services' simplistic method of comparing local telephone call prices means that like is not compared with like ("BT rates for local calls 'high', March 17).

For a start, the NUS survey excludes cheap-rate local calls which are of most benefit to our residential customers and where BT's charges are among the lowest in the world. The survey also selects a call of three minutes. Like BT, many countries charge in fixed rate steps. Particularly for local calls, the size of the step varies greatly between countries, so choice of call duration can give different results.

More important, the survey ignores the size of the local call area. BT's local call areas are among the largest in the world, including, for instance, the whole of London. Many of the calls that BT's customers make at local call rates would be priced at higher long distance rates in other countries.

You also say that BT's line rental is high at £10.28 a month. We do not know how NUS derived this figure. The quarterly line rental for BT's 19m residential customers is £19.54 and for its 7m business customers £31.65, equivalent to a monthly rate of £5.52 and £10.55 respectively.

Michael Hefner, group managing director, BT, 61 Newgate Street, London EC1A 7AJ

No age discrimination in US

From Mr Jeremy Putley.

Sir, I was interested in your story "Jobseekers 'past it at 45'" (March 15). Your readers aged over 45 might be interested in the age breakdown of the unemployed in the US, where those aged 45 to 64 experience only two-thirds the

national average unemployment rate. Possibly a similar distribution would now exist in the UK, had there been a law against discrimination for the last 25 years, as in the US. Jeremy J Putley, 131 Purchase Street, Rye, New York 10580

Japan's steel makers see sharp falls

Each of the leading five makers has suffered along with the Japanese car industry, which expects sales in the coming fiscal year to rise by a slim 1.6 per cent.

Although construction orders will be assisted by a planned increase in infrastructure spending, a large inventory of materials has already been accumulated and steel production appears likely to drop again next year.

With core profits under pressure, the companies are reviewing diversification programmes launched during the mid-1980s in an attempt to reduce their reliance on steel production.

The plunge in earnings this year suggests that these new areas have yet to produce the additional profits that were foreseen when the investments were made.

The company had expected to break even, but now warns of a pre-tax loss of ¥2.2bn (\$18.8m) on revenues of ¥205bn, down from an earlier forecast of ¥210bn.

A weaker-than-expected market for cameras and semiconductor manufacturing equipment was responsible for the revised figures, Nikon said.

Although overall camera sales were steady and the division had made a profit the

particularly weak, although compact camera sales fell well below expectations.

The weakness in the semiconductor market had also been a factor behind Nikon's downturn. Sales were down 30 per cent on the previous year.

The company believes that the first half of next year will remain difficult.

A return to profit depends largely on the extent of the expected economic recovery in the second half, the company said.

● Victor Japan (JVC) plans to take half-finished digital compact cassette players from its majority shareholder Matsushita Electric Industrial in order to save production costs,

WORLD COMMODITIES PRICES

Chicago

SOYBEANS 5,000 bu mm; cents/50lb bushel

	Close	Previous	High/Low
Mar	596 5/8	598 1/4	597 1/4 593 5/8
Apr	598 3/4	599 1/8	599 5/8 595 1/2
May	599 1/4	599 1/2	599 1/2 595 1/4
Aug	598 3/4	599 1/4	598 3/4 593 1/2
Sep	597 1/2	598 1/4	597 1/2 594 1/4
Nov	602 1/8	602 1/8	604 0 600 1/4
Jan	610 1/8	611 1/2	611 1/4 608 1/4
Mar	618 1/4	619 1/4	618 1/4 616 0

SOYBEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low
Mar	21.06	21.05	21.03 20.98
Apr	21.27	21.30	21.20 21.05
May	21.51	21.39	21.52 21.28

London Markets

SOYABEAN MEAL 10.0 tonne \$/ton				
	Close	Previous	High/Low	
Mar	182.4	182.5	182.5	161.5
May	183.1	183.4	183.3	182.6
Jul	184.4	184.4	185.4	184.5
Aug	188.9	185.9	188.3	185.4
Sep	188.3	188.9	187.2	186.5
Oct	186.7	187.9	189.1	186.0
Nov	190.7	190.7	199.3	191.4
Dec	191.0	191.0	191.0	187.0
MAIZE 5,000 bu m/b; cents/\$bush				
	Close	Previous	High/Low	
Mar	221/2	219/2	221/4	218/4
May	225/6	226/0	226/0	216/6
Jul	230/0	230/2	231/0	225/0
Sep	237/2	238/2	238/4	231/0
Oct	244/0	243/2	243/4	242/6
Nov	250/4	250/4	250/4	249/2
Dec	250/4	249/6	250/4	254/4
	250/4	249/6	250/4	249/4
WHEAT 5,000 bu m/b; cents/\$bush				
	Close	Previous	High/Low	
Mar	405/0	395/0	405/0	399/4
May	347/4	341/4	341/4	341/0
Jul	311/2	309/8	312/0	311/0
Aug	327/8	316/8	316/8	316/0
Sep	327/8	319/8	319/8	319/0
Oct	325/0	323/4	322/4	319/0
Nov	325/0	323/4	323/4	324/0
LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Apr	83.50	83.25	84.00	82.00
Jun	76.875	77.325	78.25	76.25
Aug	73.850	73.925	74.125	73.800
Oct	73.850	73.850	74.000	73.800
Dec	73.000	72.625	73.925	73.650
Feb	73.250	72.750	73.750	73.000
Apr	74.325	74.200	74.500	74.250
LIVE HOGS 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Apr	51.875	50.375	51.875	50.575
Jun	56.875	56.875	57.575	56.575
Aug	54.000	53.000	54.000	53.500
Oct	51.775	50.375	51.500	50.500
Dec	46.500	45.775	46.450	45.400
Feb	46.000	45.700	46.100	45.800
Apr	44.800	44.650	44.800	44.725
PORK BELT LBS 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Mar	52.400	51.400	52.400	50.400
May	54.100	52.100	54.100	51.400
Jul	54.100	52.100	54.100	51.400
Sep	54.100	52.100	54.100	51.400
Oct	54.100	52.100	54.100	51.400
Nov	54.100	52.100	54.100	51.400
Dec	54.100	52.100	54.100	51.400
Jan	54.100	52.100	54.100	51.400
Feb	54.100	52.100	54.100	51.400
Mar	54.100	52.100	54.100	51.400
Apr	54.100	52.100	54.100	51.400
May	54.100			

	Close	Previous	High/Low
Mar	53.400	51.400	53.400
May	54.100	52.100	54.100

هكذا امن الاصل

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Franc remains under pressure

THE FRENCH FRANC remained under pressure against the D-Mark inside the European exchange rate mechanism yesterday as dealers continued to express disappointment that the Bundesbank had not reduced its Lombard rate at its council meeting on Thursday, writes James Bliz.

The French currency fell as low as FF4.4160 against the D-Mark at around lunchtime in London. It later closed unchanged at FF4.4100, but still around 2 cents above its ERM floor against the German currency.

Another reflection of the pressure on the franc was that 1-month interest rates as high as 12.5 per cent first thing in the morning and hovered around that level throughout the day.

Dealers are clearly preparing to test the commitment of a new French government to the franc fort policy following

tomorrow's first round of parliamentary elections. There is concern that a new administration may float the franc in order to bring French interest rates down, although leading right-wing politicians reassured yesterday that they were committed to the current party.

A more important issue is whether the Bundesbank decides to reduce the rate at which it lends funds to commercial banks in its weekly intervention on Tuesday.

Mr Paul Chertkow, global currency strategist at UBS Phillips and Drew in London, believes that a 25 basis point cut in the repo rate, currently at 8.25 per cent, will allow the pressure on the franc.

Another potential source of trouble for the French currency comes from the peseta, which weakened against the D-Mark despite the fact that Spain was on holiday. The peseta closed at Pta71.58

against the D-Mark from Pta71.48. According to one dealer, the Bank of Spain has spent \$5bn on intervention in the last two weeks.

The D-Mark's strength continued to take its toll on the dollar. After closing at DM1.8215 on Thursday night, the dollar dropped to a low of DM1.8205 in London trading before closing at DM1.8200.

Underlying sentiment in the market remains bullish for the US currency. But Mr Jim O'Neill, head of currency research at Swiss Banking Corporation and a long-time dollar bear, believes the US currency will slip to DM1.55 within the next three months.

Sterling rose a penny after poorer-than-expected inflation figures in the UK heightened speculation that the government may lean towards tightening monetary policy. The pound lost ground later, closing at DM2.4325 from a previous DM2.4400.

FINANCIAL FUTURES AND OPTIONS

LIFE LONG GILT FUTURES OPTIONS			
Strike	Call	Put	Settlement
100	2.50	2.41	0.11
105	2.10	2.22	0.46
110	1.60	1.72	0.81
115	1.10	1.22	1.16
120	0.60	0.72	1.51
125	0.10	0.22	1.86
130	0.00	0.12	2.21
135	0.00	0.02	2.56
140	0.00	0.00	2.91
145	0.00	0.00	3.26
150	0.00	0.00	3.61
155	0.00	0.00	3.96
160	0.00	0.00	4.31
165	0.00	0.00	4.66
170	0.00	0.00	5.01
175	0.00	0.00	5.36
180	0.00	0.00	5.71
185	0.00	0.00	6.06
190	0.00	0.00	6.41
195	0.00	0.00	6.76
200	0.00	0.00	7.11
205	0.00	0.00	7.46
210	0.00	0.00	7.81
215	0.00	0.00	8.16
220	0.00	0.00	8.51
225	0.00	0.00	8.86
230	0.00	0.00	9.21
235	0.00	0.00	9.56
240	0.00	0.00	9.91
245	0.00	0.00	10.26
250	0.00	0.00	10.61
255	0.00	0.00	10.96
260	0.00	0.00	11.31
265	0.00	0.00	11.66
270	0.00	0.00	12.01
275	0.00	0.00	12.36
280	0.00	0.00	12.71
285	0.00	0.00	13.06
290	0.00	0.00	13.41
295	0.00	0.00	13.76
300	0.00	0.00	14.11
305	0.00	0.00	14.46
310	0.00	0.00	14.81
315	0.00	0.00	15.16
320	0.00	0.00	15.51
325	0.00	0.00	15.86
330	0.00	0.00	16.21
335	0.00	0.00	16.56
340	0.00	0.00	16.91
345	0.00	0.00	17.26
350	0.00	0.00	17.61
355	0.00	0.00	17.96
360	0.00	0.00	18.31
365	0.00	0.00	18.66
370	0.00	0.00	19.01
375	0.00	0.00	19.36
380	0.00	0.00	19.71
385	0.00	0.00	20.06
390	0.00	0.00	20.41
395	0.00	0.00	20.76
400	0.00	0.00	21.11
405	0.00	0.00	21.46
410	0.00	0.00	21.81
415	0.00	0.00	22.16
420	0.00	0.00	22.51
425	0.00	0.00	22.86
430	0.00	0.00	23.21
435	0.00	0.00	23.56
440	0.00	0.00	23.91
445	0.00	0.00	24.26
450	0.00	0.00	24.61
455	0.00	0.00	24.96
460	0.00	0.00	25.31
465	0.00	0.00	25.66
470	0.00	0.00	26.01
475	0.00	0.00	26.36
480	0.00	0.00	26.71
485	0.00	0.00	27.06
490	0.00	0.00	27.41
495	0.00	0.00	27.76
500	0.00	0.00	28.11
505	0.00	0.00	28.46
510	0.00	0.00	28.81
515	0.00	0.00	29.16
520	0.00	0.00	29.51
525	0.00	0.00	29.86
530	0.00	0.00	30.21
535	0.00	0.00	30.56
540	0.00	0.00	30.91
545	0.00	0.00	31.26
550	0.00	0.00	31.61
555	0.00	0.00	31.96
560	0.00	0.00	32.31
565	0.00	0.00	32.66
570	0.00	0.00	33.01
575	0.00	0.00	33.36
580	0.00	0.00	33.71
585	0.00	0.00	34.06
590	0.00	0.00	34.41
595	0.00	0.00	34.76
600	0.00	0.00	35.11
605	0.00	0.00	35.46
610	0.00	0.00	35.81
615	0.00	0.00	36.16
620	0.00	0.00	36.51
625	0.00	0.00	36.86
630	0.00	0.00	37.21
635	0.00	0.00	37.56
640	0.00	0.00	37.91
645	0.00	0.00	38.26
650	0.00	0.00	38.61
655	0.00	0.00	38.96
660	0.00	0.00	39.31
665	0.00	0.00	39.66
670	0.00	0.00	40.01
675	0.00	0.00	40.36
680	0.00	0.00	40.71
685	0.00	0.00	41.06
690	0.00	0.00	41.41
695	0.00	0.00	41.76
700	0.00	0.00	42.11
705	0.00	0.00	42.46
710	0.00	0.00	42.81
715	0.00	0.00	43.16
720	0.00	0.00	43.51
725	0.00	0.00	43.86
730	0.00	0.00	44.21
735	0.00	0.00	44.56
740	0.00	0.00	44.91
745	0.00	0.00	45.26
750	0.00	0.00	45.61
755	0.00	0.00	45.96
760	0.00	0.00	46.31
765	0.00	0.00	46.66
770	0.00	0.00	47.01
775	0.00	0.00	47.36
780	0.00	0.00	47.71
785	0.00	0.00	48.06
790	0.00	0.00	48.41
795	0.00	0.00	48.76
800	0.00	0.00	49.11
805	0.00	0.00	49.46
810	0.00	0.00	49.81
815	0.00	0.00	50.16
820	0.00	0.00	50.51
825	0.00	0.00	50.86
830	0.00	0.00	51.21
835	0.00	0.00	51.56
840	0.00	0.00	51.91
845	0.00	0.00	52.26
850	0.00	0.00	52.61
855	0.00	0.00	52.96
860	0.00	0.00	53.31
865	0.00	0.00	53.66
870	0.00	0.00	54.01
875	0.00	0.00	54.36
880	0.00	0.00	54.71
885	0.00	0.00	55.06
890	0.00	0.00	55.41
895	0.00	0.00	55.76
900	0.00	0.00	56.11
905	0.00	0.00	56.46
910	0.00	0.00	56.81
915	0.00	0.00	57.16
920	0.00	0.00	57.51
925	0.00	0.00	57.86
930	0.00	0.00	58.21
935	0.00	0.00	58.56
940	0.00	0.00	58.91
945	0.00	0.00	59.26
950	0.00	0.00	59.61
955	0.00	0.00	59.96
960	0.00	0.00	60.31
965	0.00	0.00	60.66
970	0.00	0.00	61.01
975	0.00	0.00	61.36
980	0.00	0.00	61.71
985	0.00	0.00	62.06
990	0.00	0.00	62.41
995	0.00	0.00	62.76
1000	0.00	0.00	63.11

MONEY MARKET

LIFE LONG GILT FUTURES OPTIONS			
Strike	Call	Put	Settlement
100	2.50	2.41	0.11
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155	0.00	0.00	3.96
160	0.00	0.00	4.31
165	0.00	0.00	4.66
170	0.00	0.00	5.01
175	0.00	0.00	5.36
180	0.00	0.00	5.71
185	0.00	0.00	6.06
190	0.00	0.00	6.41
195	0.00	0.00	6.76
200	0.00	0.00	7.11
205	0.00	0.00	7.46
210	0.00	0.00	7.81
215	0.00	0.00	8.16
220	0.00	0.00	8.51
225	0.00	0.00	8.86
230	0.00	0.00	9.21
235	0.00	0.00	9.56
240	0.00	0.00	9.91
245	0.00	0.00	10.26
250	0.00	0.00	10.61
255	0.00	0.00	10.96
260	0.00	0.00	11.31
265	0.00	0.00	11.66
270	0.00	0.00	12.01
275	0.00	0.00	12.36
280	0.00	0.00	12.71
285	0.00	0.00	13.06
290	0.00	0.00	13.41
295	0.00	0.00	13.76
300	0.00	0.00	14.11
305	0.00	0.00	14.46
310	0.00	0.00	14.81
315	0.00	0.00	15.16
320	0.00	0.00	15.51
325	0.00	0.00	15.86
330	0.00	0.00	16.21
335	0.00	0.00	16.56
340	0.00	0.00	16.91
345	0.00	0.00	17.26
350	0.00	0.00	17.61
355	0.00	0.00	17.96
360	0.00	0.00	18.31
365	0.00	0.00	18.66
370	0.00	0.00	19.01
375	0.00	0.00	19.36
380	0.00	0.00	19.71
385	0.00	0.00	20.06
390	0.00	0.00	20.41
395	0.00	0.00	20.76
400	0.00	0.00	21.11
405	0.00	0.00	21.46
410	0.00	0.00	21.81
415	0.00	0.00	22.16
420	0.00	0.00	22.51
425	0.00	0.00	22.86
430	0.00	0.00	23.21
435	0.00	0.00	23.56
440	0.00	0.00	23.91
445	0.00	0.00	24.26
450	0.00	0.00	24.61
455	0.00	0.00	24.96
460	0.00	0.00	25.31
465	0.00	0.00	25.66
470	0.00	0.00	26.01
475	0.00	0.00	26.36
480	0.00	0.00	26.71
485	0.00	0.00	27.06
490	0.00	0.00	27.41
495	0.00	0.00	27.76
500	0.00	0.00	28.11
505	0.00	0.00	28.46
510	0.00	0.00	28.81
515	0.00	0.00	29.16
520	0.00	0.00	29.51
525	0.00	0.00	29.86
530	0.00	0.00	30.

● Unit Trust prices are available from FT Cityline, call 0891 43 + the five-digit code listed after the unit trusts. Calls charged at 36p/minute cheap rate and 46p/minute at all other times.

[illegible]

Continued on next page

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هكذا من الجهل

Orbis Leveraged Exp.	\$21.60	22.84	-0.30	-	Monetary Instruments
---------------------------	---------	-------	-------	---	----------------------

* Prices on Mar 18 Next Pricing Mar 23 Weekly Pricing

AMERICA
DOW

March 19

[illegible][illegible][illegible]

Mar	1982/83	HIGH	LC
1893.3	1884.50 (247/82)	1357.20	
882.1	735.80 (272/82)	546.40	
539.0	537.00 (240/82)	591.41	
638.0	1006.43 (242/82)	592.58	
1246.49	1254.04 (193/82)	1048.07	
292.0	292.00 (215/82)	261.42	
879.0	1012.30 (183/82)	641.00	
129.25	555.55 (725/82)	411.70	
525.28	607.40 (115/82)	881.04	
687.28	725.58 (205/82)	585.51	
889.50	2043.80 (235/82)	1304.09	
1087.83	1811.57 (255/82)	1423.36	
	6508.00 (303/82)	4301.78	
3393.62	1468.57 (177/82)	1084.68	
556.42	551.59 (255/82)	354.83	
1102.6	1185.00 (232/82)	302.00	
1348.31	2289.18 (81/82)	1400.51	
739.70	2081.48 (11/82)	1102.48	
	246.85 (81/82)	1522.77	
837.79	600.25 (211/82)	430.77	

325.8	328.70 (19/3/93)	274.00
219.2	220.80 (19/3/93)	189.70
781.19	784.04 (19/3/93)	532.43
1476.79	1580.95 (11/6/92)	1089.01
415.93	421.21 (24/2/93)	351.41
1077.0	1327.00 (21/1/92)	746.00
4445.0	4698.00 (1/6/92)	3936.00
637.87	708.77 (9/1/93)	458.07

235.98	288.51 (28/2/82)	179.48 £
1017.30	1039.00 (8/3/83)	638.00 £
890.4	965.60 (19/3/83)	748.50 £
727.5	741.90 (19/3/83)	596.40 £
4489.99	5391.83 (30/1/82)	3088.43
995.11	998.44 (25/1/83)	667.84 £

520.7	542.10 (771/82)	467.50
940.15	976.50 (255/92)	772.52

ALBA

* Calculated at 15

185 Co., CACB, East Top-100, 1525 Drexel
 ary and Mining - 692; (c) Crown. (d) Granite

0	+0	Searcher Fee
0	+10	Incentive Fee
0	+10	Investor A
50	-1	Investor B
0	-50	Me Och Dam B
0	+80	Nobel A
0	+10	Nobel B
0	-40	Procedura A
0	-15	Procedura B
0	+30	SCA A
50	-10	SCA B
0	+10	SNF A
0	+50	SNF B
0	-50	Sundation A
0	-30	Sundation B
0	+70	Steen Estate C
0	+35	Standa
50	-10	Standa B
0	+20	Stora Kopp A
50	-80	Stora Kopp B
0	-20	Stora Kopp C

+.60	Suzuki Hayabusa
+.60	Sydcraft A
+.40	Sydcraft C
+.20	Trafalgar B
-.40	Volvo A
+.50	Volvo B
-7	
-.30	
+.10	
+.30	
-.30	
+.30	
-.70	
-.20	
+.50	
+.90	
-.50	
+.20	
+.30	

+2.50	One Galaxy (R)
	Shannon (R)
	Evlyn (R)
	Flacher Geo (R)
	Farbo (R)
+0.00	Heidi (R)
	Holvin Hatz (R)
+1.50	Jennell (R)
+0.50	Laurie Lutz (R)
-2.50	Lea Hilo (R)
	Mater-Colum (R)
	Namie (R)
	Namie (R)
-1.00	Gar-Buante (R)
+3.00	Perrell Niz (R)
-1.00	Prunella (R)
	Prinell (R)
	Richmont A (R)
	Roche (R)
-1.00	Roche (Secus)
	989 Sarvinnom (R)
	SID (R)
	Sandor (R)
	Sandor (Rig Cts)
	Sandor (Rig Cts)
+0.00	Schulder (Rig Cts)
	Sulzer (Rig)
	Sutwin (R)
-1.00	Sutwin (R)
-1.00	Swiss Bank (R)
+0.50	Swiss Reins (R)
+0.50	Swiss Reins (R)

[illegible]

-3	Gold Plots SA
-10	Haribond
+0	Highland Steel
	ISCOP
	Minross Gold
	Kior Gold
+0.8	Liberty Life SA
	Maboch
+0.2	Mimosa
+0.2	O R Broomie
	Pelabon Mining
	Premier Go
+1	Prombrandt Grp
+1	Prombrandt Gold
-1	Real Plat
	Submarine & Pearline
-0.2	Sunco (2Q Ltd
-0.1	SA Breweries
-0.1	SA Men Ampor
	Tiger Oils
+0.9	Tongaat Haldor
	Vaal Resorts
-1	Western Deep

AUSTRALIA (continued)	
March 19	
	Land Lease
	MMA
+0	Mayne Mackess
-04	Metals Mearl
+110	Mitropco
-03	Nat Asset Manfr
-08	National Mining
-13	Nippon Corp
-14	Nirvody Holding
-28	North BH Polys
-3	Pacific Diamond
+13	Pancontinental
+18	Parmenco
-09	Pioneer Intl
-180	Pacific Pacific
+120	QCT Resources
-00	Queensland Gold
+1	Refineries Austl
-0	S&A Brewing
-0	Sandoro

+30	Smith (Steve)
+20	Sons of Gaville
-70	Macdonald Tait
-70	TNT
-10	Tolson Corp NZ
-70	Type line
+3	Westenders
-34	Western Mining
-84	Westfield Hdg
-30	Westfield Trust
-3	Westpac
+8	Woodside Pet
-14	
-20	
-10	
-7	
-10	
-5	
-28	
+10	
+8	
+10	
-10	

-6	Dairy Farm Intl
-10	Evergo
-10	Great Eagle
-11	Guoco
+01	HSBC
-2	Hing Lung Dev
-13	Hing Seng Envtl
	Harbour Centre
+1	Henderson Inv
-12	Henderson Land
	HK & China Gas
	HK & Shanghai Hotel
+8	HK Abscon
	HK Electric
	HK Land
+7	HK Realty & Tr A
	HK Telecom
	Hopewell Hldgs
-10	Hutchison Wps
+2	Hyson Dev
-20	Jardine Int'l Mfr
-60	Jardine Math
+20	Jardine
+20	Kowloon Mtr
+20	Manhattan
+0	Mandarin Orient

+80	New World Dev
+37	Reality Dev A
+47	S&K Props
-20	Shaw Bros.
-20	Shui Kee Eng Mfg
+3	Sims Darty
	Sin China Int Post
	Son Hung Kai Co
+30	Sunco Pacific A
+13	Sunco Pacific B
	Tale Holdings
	Wheat Holdings
	Wing On Co
	Winson Ind
	World Intl

+57	
-62	
-04	
+62	
-62	

MALAYSIA

March 99	N
Sumitomo	2
Hong Leong Credit	2
Malayan Banking	5
Malayan Ltd Ind	5
Wahid Persada	5

-.07	Public Bank	2
-.07	Stone Darby	4
-.02		
-.03		
-.06		
+.01		
-.10		
+.02		
+.02		
-.02		
-.02		
+.03		
...		
...		
+.06		
-.05		
+.02		
+.02		
+.02		
+.02		
+.04		
-.01		

SINGAPORE		
March 19		5
DGS		1
Fraser & Neave		1
Genting		3
Gohong P&T Asia		3
Haw Pao		2
Indochina		6
Kapool Corp.		6
OCBC		1
QIB		1
SURE Air Free		8
Singapore Press		3
Straits Trading		3
Tai Lee Bank		3
UOB		7

Prices quoted in dollars

+.06
 -.04
 +.33
 -.06
 -.01
 -.08
 -.01
 -.11
 +.05

44	+	4
45	+	0.75
46	+	4.45
47	+	3.55
48	+	2
49	+	30
50	+	1.5
51	+	37
52	+	1.50
53	+	35
54	+	50
55	+	2
56	+	4
57	+	1.15
58	+	0.01
59	+	0.75
60	+	1

+.30
 +.10
 +.05
 +.05
 +.20
 +.25
 +.30
 +.03
 +.05
 +.02
 +.03
 +.15
 +.10
 +.20
 +.05
 +.10
 +.05

1

Mar	1993/93	
	HGH	LC
1993.3	1984.59 (225/93)	1357.20
892.1	735.80 (37/93)	545.40 (1)
332.08	458.57 (242/93)	291.41
634.08	1099.43 (242/93)	882.86
1246.40	1264.94 (193/93)	7048.97

276.90	261.28 (15/1/92)	250.42 (2)
992.0	1012.20 (18/3/93)	541.00
529.23	555.93 (12/5/92)	441.70
1975.25	2077.49 (11/5/92)	1611.04
689.68	725.26 (29/5/92)	585.61 (1)
1887.20	2043.80 (25/5/92)	1394.88
1687.83	1811.57 (25/5/92)	1453.30
6980.04	6508.00 (9/3/93)	4301.78

1393.62	1469.57 (17/1/82)	1084.86
502.42	551.59 (6/7/82)	354.93
1108.0	1185.00 (23/2/82)	882.00
7968.30	23661.18 (6/7/82)	14308.41
1344.71	1763.43 (6/7/82)	1102.50
1717.70	2458.85 (6/7/82)	1502.77
637.79	690.35 (6/7/82)	546.63
325.8	322.70 (19/3/83)	274.00
210.5	220.80 (19/3/83)	180.70

781.18	784.84 (19/9/93)	532.43 (1)
476.78	1580.05 (11/6/92)	1083.01 (1)
415.53	421.27 (24/2/93)	351.41 (2)
1077.0	1327.00 (21/1/92)	746.00 (1)
4445.0	4068.00 (1/6/92)	3936.00 (1)
637.87	708.77 (9/1/93)	459.07 (1)

235.50	288.51 (28/282)	179.43 g
1017.30	1039.00 (83/53)	639.00 g
850.4	955.60 (193/83)	742.30 g
727.5	741.80 (193/83)	598.40 g
1489.98	6381.83 (301/52)	3088.43
905.12	908.44 (251/53)	667.84 (1)
520.7	642.10 (771/62)	487.50 g

940.15 978.55 1255/92 772.52 8
94.84

-5	Bank, Lister Asia
-26	Century Pacific
+10	Cheung Kong
+10	China Light
+10	China Motor
-10	Citic Pacific
-6	Cross Harbour
-10	Dairy Farm Int'l
-10	Evergo
-9	Great Eagle
-21	HSBC
-2	HSBC
-13	Hong Lung Dev
	Hong Seng Bank
	Harbour Centre
-1	Henderson Inv

-12	Henderson Land	1
	HK & China Gas	1
	HK & Shanghai Hotel	1
+2	HK Aircraft	1
	HK Electric	1
	HK Land	1
+7	HK Realty & Tr A.	1
	HK Telecom	1
	Hopewell Hodge	1
	Hutchison Wpa	1
	Myson Dev	1
+19	Jardine Int'l Mfr	1
+23	Jardine Math	1
-60	Jardine Strategic	1
+20	Kowloon Motor	1
+10	Mandarin Orient	1


-60	New World Dev	1
	Really Dow A	1
-47	SHK Props	1
-39	Shaw Bros	1
-33	Shelf Elec Mfg	2
-29	Stone Darby	1
-28	Sth China Intl Post	3
-26	Son Hung Kai Co	3
-23	Swire Pacific A	3
-13	Swire Pacific B	3
	Tate Broadcast	1
	Wharf Holdings	1
	Wing On Co	1
	Wingor Ind	1
	World Int	2

0.00	MALAYSIA
0.02	March 10
0.04	Scotsbank
0.06	Hong Leong Credit
0.08	Malayan Banking
0.10	Malayan Unit Ind
0.12	Muti Purpose
0.14	Public Bank
0.16	Sime Darby
0.18	
0.20	SINGAPORE

-10	March 19	5
+02	DBS	1
+02	Fraser & Neave	1
-02	Sunlight	3
-02	Goddard Pdr Asia	3
+06	New Pan	2
---	Indochina	3
---	Keppel Corp.	6
---	QIB	1
+06	S'pore Air Force	5
-05	Singapore Press	5
+02	Straits Trading	3
+08	Tat Lee Bank	3
+02	UOB	3

[illegible]

-10
 -04
 -01
 -10
 +06
 +10
 -05
 -06
 +10
 +05
 -06



Alice Rawsthorn finds that optimism is returning

At first glance the prospects for the Paris stock market are scarcely scintillating, given that a new government is poised to take power against a backdrop of high inflation rates, a vulnerable currency, and stagnant industrial output and a

But Royal Trustco was a loser, diving 80 cents to C\$1.00. The media sector received a boost from Southam which rose C\$1% or 13.6 per cent to C\$154 after it announced that Power Corp of Canada would buy 12.9m shares for C\$180m.

Most analysts are confident that the 'damage' will be limited. The corporate sector does not have the underlying advantages of relatively low

debt levels and industry is also reaping the benefits of the high levels of investment during the late 1980s.

Moreover, France, thanks to the socialists' commitment to a sustained low inflation, is likely to be able to make deeper interest rates cuts than other major economies. "There is more leeway [in France] for an easing of long rates than in the other Group 7 countries,"

The critical question is whether the new centre-right government will be as zealous in its attachment to the *franc fort* strategy of protecting the French currency as the socialists.

There is, however, a possibility that the new administration could come under pressure from the chauvinistic RPR faction led by Mr Charles Pasqua and Mr Philippe Séguin, who championed the anti-Maastricht campaign in last autumn's referendum.

"There is a possibility of its floating for a while, but its true strength should then come out. It certainly isn't a negative influence over the market."

machine maker was omitting its dividend.

STOCKHOLM was heartened by signs that the opposition Social Democrats were willing to negotiate with the centre-

right government over economic policy. The Affairs-
variden index ended 7.8 down
at 1,007.2, for a weekly decline
of 0.5 per cent.

DUBLIN's central bank cut
short-term interest rates and
the market responded with a
rise in the ISEQ overall index
of 39.58 or 2.8 per cent to
1,461.48.

COPENHAGEN was

SOUTH AFRICA
GOLD shares moved higher as local and foreign investors joined in a buying spree that began in New York overnight. The gold index rose 62 or 5.8 per cent to 1,136, boosting the overall index by 32 to 3,528. Industrials added 39 to 4,504.

Yield	Vol.	10pc 2005	Notes	Price \$
28.00	5.70	Tran 11-1pc 2001-4...		122.50
22.20	5.81	Barclay 11-1pc 2001-4...		122.50

1000	1000	1000	1000
1001	1001	1001	1001
1002	1002	1002	1002
1003	1003	1003	1003
1004	1004	1004	1004
1005	1005	1005	1005
1006	1006	1006	1006
1007	1007	1007	1007
1008	1008	1008	1008
1009	1009	1009	1009
1010	1010	1010	1010
1011	1011	1011	1011
1012	1012	1012	1012
1013	1013	1013	1013
1014	1014	1014	1014
1015	1015	1015	1015
1016	1016	1016	1016
1017	1017	1017	1017
1018	1018	1018	1018
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1038	1038	1038	1038
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1089	1089	1089	1089
1090	1090	1090	1090
1091	1091	1091	1091
1092	1092	1092	1092
1093	1093	1093	1093
1094	1094	1094	1094
1095	1095	1095	1095
1096	1096	1096	1096
1097	1097	1097	1097
1098	1098	1098	1098
1099	1099	1099	

[illegible][illegible]

	+	1980-90	Yield
100%	100	100%	100%
90%	100	100%	100%
80%	100	100%	100%
70%	100	100%	100%
60%	100	100%	100%
50%	100	100%	100%
40%	100	100%	100%
30%	100	100%	100%
20%	100	100%	100%
10%	100	100%	100%
0%	100	100%	100%

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INVESTMENT TRUSTS - Cont.

[illegible]

T CON

[illegible]

1. *Staphylococcus aureus*

[illegible]

هكذا من الأضواء

MINES - Cont.

Poles	σ	1820/50	462 Ozpinar	701
192	—	323	91	103.3
182	—	323	272	104.1
180	—	3	7	2.92
170	—	2	358	7
16	—	70	14	13.7
28	—	71	12	4.58
100	—	1	410	32.2
108	—	102	43	28.9
<hr/>				
194 $\frac{1}{2}$	—	221 $\frac{1}{2}$	131 $\frac{1}{2}$	1.015
192 $\frac{1}{2}$	—	221 $\frac{1}{2}$	131 $\frac{1}{2}$	3.625
190 $\frac{1}{2}$	—	221 $\frac{1}{2}$	252	2.87
188 $\frac{1}{2}$	—	820	488	205.6
186 $\frac{1}{2}$	—	882	500	107.7
184 $\frac{1}{2}$	—	882	500	120
182 $\frac{1}{2}$	—	213 $\frac{1}{2}$	124 $\frac{1}{2}$	1.127
<hr/>				
11	—	17	10	27.9
88	—	86	40	2.92
22	—	48	18	1.22
77	—	8	16	9.4
<hr/>				
194 $\frac{1}{2}$	—	222 $\frac{1}{2}$	170	261.2
192 $\frac{1}{2}$	—	222 $\frac{1}{2}$	170	3.67
190 $\frac{1}{2}$	—	184 $\frac{1}{2}$	178	703.3
188 $\frac{1}{2}$	—	184 $\frac{1}{2}$	178	13.8
186 $\frac{1}{2}$	—	184 $\frac{1}{2}$	178	1.0
184 $\frac{1}{2}$	—	182	500	249.4
182 $\frac{1}{2}$	—	50	49	110.8
180 $\frac{1}{2}$	—	22	22	2.3
178 $\frac{1}{2}$	—	38	9	9.60
176 $\frac{1}{2}$	—	115	8	940
174 $\frac{1}{2}$	—	222	121	2174
172 $\frac{1}{2}$	+80	184 $\frac{1}{2}$	500	1.017
170 $\frac{1}{2}$	—	184 $\frac{1}{2}$	500	1.599
168 $\frac{1}{2}$	—	195	72	337.1
166 $\frac{1}{2}$	—	83	69	1.91
164 $\frac{1}{2}$	—	83	69	1.8
162 $\frac{1}{2}$	—	81	67	18.5
160 $\frac{1}{2}$	—	210	80	35.8
158 $\frac{1}{2}$	—	191 $\frac{1}{2}$	171	259
156 $\frac{1}{2}$	—	137 $\frac{1}{2}$	273	74.6
154 $\frac{1}{2}$	—	230	75	12.3
152 $\frac{1}{2}$	—	46	61	13.7
150 $\frac{1}{2}$	—	36	12	1.75
148 $\frac{1}{2}$	—	304	154	102.8
<hr/>				
21	—	37	18	—
8	—	41	18	—
16	—	40	18	—
45	—	54	1	1.11
47	—	70	34	—
48	—	70	34	—
86	—	38	8	—
88	—	38	8	—
89	—	81	28	80.6
90	—	81	28	78.0
91	—	27	10	8.8
92	—	61	24	1.31
93	—	12	7	7.80
94	—	12	7	—
95	—	44	29	304.0
96	—	23	34	38.9
97	—	23	34	—

Nickel

19	+35	129	204	1,891	2.6
15	0	12	12	12.2	—
12	0	19	45	5.0	—
26	0	27	74	7.0	—
19	0	31	13	6.5	0.5
10	0	147	79	84.5	—
7	+3	70	37	204.6	3.4
7	+2	130	23	765.6	4.1
1	0	88	20	79.4	—
1	0	24	04	7.93	—
1	0	48	49	206.2	—
1	0	12	42	112.2	—
1	0	39	45	128.8	4.7
1	0	1	0	0.12	—
1	+6	101	28	105.2	3.6
1	0	8	0	23.0	—
33	+1	33	84	—	—
1	0	14	0	1	—
13	0	77	137	4.02	—
1	0	280	137	98.5	4.8
1	0	26	9	47.2	—
1	0	1	0	3.5	—
1	-5	347	194	2,390	5
1	0	8	4	1.82	—
<hr/>					
48	0	40	28	4.59	0.5
28	0	126	77	263.1	1.0
81	0	170	130	554.1	6.1
1	0	170	130	1.5	0.8
<hr/>					
7 ₂	0	35	3	4.44	—
1	0	94	3	—	—
1	0	81	104	4.78	—
1	0	274	11	39.3	—
1	0	14	14	3.5	0.2
1	0	73	34	3.38	—
18	0	184	7	7.53	—
1	0	16	7	—	—
1	0	185	2	0.6	—
7	-3	232	232	449.0	2.4
1	0	30	34	—	—
1	0	8	24	0.72	—
7	0	46	8	1.77	—
1	0	34	16	3.3	—
21	0	28	28	0.64	—
7	-14	183	64	—	—
1	0	1	3	1.5	—
1	0	704	400	6,000	3.9
1	0	94	1	2.61	—

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FINANCIAL TIMES

Weekend March 20/March 21 1993

Brossette B/I
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WOLSELEY
 Au delà de la performance

Directors find shares are being sold more cheaply

Telegraph purchase of Southam stake delayed

By Peggy Hollinger in London and Robert Gibbens in Montreal

MR CONRAD BLACK's plan to sell half of his private company's stake in the Canadian newspaper group to The Telegraph, the UK-listed company he controls, through Hollinger Group, was delayed yesterday after the Telegraph's independent directors learned that another investor is buying Southam shares much more cheaply.

The directors learned early this week that Mr Black had agreed to Southam's issue of 13m shares at a price of \$214 (£7.80) each - only days after they recommended that the Telegraph should pay \$218.10 a share for half of Hollinger's 22.5 per cent stake, at a total cost of £72.3m.

The purchaser of the newly issued shares in Canada's largest newspaper group is Power Corporation, the holding company of Montreal financier, Mr Paul Desmarais.

The Telegraph yesterday decided to adjourn an extraordinary general meeting scheduled for March 30, at which shareholders

would have voted on the purchase. The independent directors said information was sent to shareholders "as soon as possible" once they and their advisers, NM Rothschild, had examined the new development.

Their scrutiny will focus on the price. It is possible they may demand some reduction before an EGM, although it is unlikely to be as low as that paid by Power. In early trading yesterday, Southam's share price rose sharply on the news of Power's involvement from \$214 to \$216.

The arrival of Power at Southam acts as a counterweight to Mr Black. The deal makes it increasingly difficult for either Mr Black or The Telegraph to take control of Southam, which last year incurred losses of \$263m after restructuring charges.

In its circular to shareholders which originally recommended the purchase, Telegraph directors described the Southam investment as a "unique opportunity". Mr Joe Cooke, Telegraph managing director, had said the group could influence Southam through

three directors nominated by Hollinger and The Telegraph.

The issue of shares to Power, however, will dilute the Hollinger holding from 22.5 per cent to 18.7 per cent. Power, which already holds 1.4m Southam shares, will have roughly the same stake. Both investors will have three seats on the 16-strong board, and have agreed to vote together.

Each has the right of first refusal on the other's holdings, and each can own up to 23.5 per cent of Southam. Power said its block was being acquired for "investment purposes", but it might buy additional Southam shares "depending on market conditions" and other factors.

Hollinger has offered a "put" option which would allow the Telegraph to require it to buy back Southam shares at the \$218.10 price for up to a year.

Hollinger said yesterday it believed the Power investment to be "wholly positive". Southam's balance sheet would be strengthened, it said, and Hollinger would have "greater flexibility, but no obligation, to invest further in Southam".

Inflation rate rises after end of sales season

By Emma Tucker, Economics Staff

BRITISH retail price inflation edged higher last month, boosted by more expensive food and petrol, and a bounce-back in prices after the January sales.

Prices rose in February by 0.7 per cent from the previous month, taking the year-on-year rate of inflation to 1.8 per cent, slightly higher than in January when it was 1.7 per cent. This was the first rise in the annual rate since April last year.

The RPI excluding mortgage interest payments, an underlying measure favoured by the Treasury, rose by 0.6 per cent in February. On this basis, the annual rate rose to 3.4 per cent from 3.2 per cent.

In spite of the February figure, prices are still rising at their slowest rate for 25 years and underlying inflation remains within the government's target range of 1 to 4 per cent.

Foreign exchange markets concluded that the rise in the inflation rate would discourage another interest rate cut. The pound rose a penny on the news, but later slipped to close at \$162.4525, down 1/4 of a penny on the day.

Sentiment towards the pound, which gained five pence this week, remained positive after a string of mildly encouraging economic data, including a rise in manufacturing output, a drop in unemployment and higher retail sales.

Mr Stephen Dorrell, financial secretary to the Treasury, said there were clear signs that economic recovery was getting under way. "On the balance of probability both we and independent forecasters now believe that the outlook is for growth."

Mr Gordon Brown, the shadow chancellor, said inflation was set to rise and that value added tax increases in the Budget would push up the RPI in April next year when they were introduced.

Although the Treasury said it was not unduly worried by the rise, it warned that the chancellor would continue to operate interest rate policy to keep inflation within its target range.

The Central Statistical Office said much of the increase in prices last month reflected a rebound from January's sales.

Background, Page 4
 Currencies, Page 11

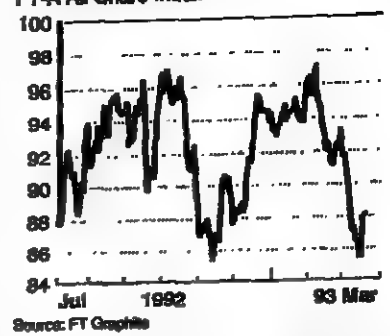
THE LEX COLUMN

Rating recovery

FT-SE Index: 2900.1 (+20.4)

The Telegraph

Share price relative to the FT-SE All-Share Index



Source: FT Graphs

required post-Maxwell - when those involved also have responsibilities to outside shareholders. High on the list of those responsibilities is a duty to ensure that any deal is done at the best possible price. Given the Power terms, The Telegraph cannot possibly argue that a premium is being paid for control. Nor is the put option on the stake worth much unless its independent directors can force the company to exercise it. They made a bad start by recommending the deal in the first place. At least Power's involvement gives them an opportunity to redeem themselves by calling a halt.

Hanson/Costain

Poor old Costain seems unable to get anything right. Having agreed to sell its Australian coal to Hanson, it then accepted a better offer from Altus. When Hanson sued, Costain confidently decided to fight. When Costain lost, it appealed. Now it has backed down and settled on the original terms with Hanson. Shareholders may receive slightly more in sterling since the pound has fallen and the net worth of the assets has gone up. But that hardly makes up for such a public display of cock-handed management.

Hanson, by contrast, must be relieved to have won something after a rather lean spell. The deal usefully expands Peabody's low-sulphur coal interests outside the UK. But whatever the wrangles with Costain, buying Australian coal looks easy compared to getting involved with British Coal. Any further expansion of Peabody is unlikely to involve the UK.

Costain's bankers will be pleased to

see the money safely in. But given that US legal action was always going to be a drawn out affair, Costain should have made sure it could stay the course before it went to court.

Life Assurance

The Office of Fair Trading's proposals for greater disclosure in the life assurance market is good news for consumers. The same cannot be said for life companies. Those selling through independent financial advisers and with high expenses may find the odds stacked against them. That points to a further squeeze on small mutual life offices, which enjoy neither broad distribution nor economies of scale.

Banks and companies which sell life products through them may be the beneficiaries. Low expenses and a customer base which overlaps with IFAs should leave them well placed to poach new business. But the case is by no means clear-cut. Low costs have allowed bancassurance companies to build fat margins. If the OFT manages to introduce price competition, they may equally feel the squeeze.

The likes of the Prudential and Legal & General, which sell through large direct sales forces, should feel secure. The OFT has abandoned any hope of unravelling commissions paid to salesmen or tied agents. There is always the worry, though, that consumers presented with more information on the cost of life assurance may turn to other savings products instead. With the life assurance sector at an all-time high relative to the market, that risk has hardly been discounted.

British Airways

The collapse of peace talks between BA and Virgin is decidedly damaging given the delicate relations between the US and UK in aviation matters. Virgin may be oversteering its case, but BA has damaged its own cause by extending the uncertainty.

BA's shareholders may well ask why their company is prepared to pay £4m in compensation for a "dirty-tricks" campaign which it insists was relatively minor. But their main concern has been to see the episode resolved. If BA has been fully frank, it should have nothing to fear by dropping its "gagging" clause. Its best defence in any future regulatory disputes would then be that it had recognised past misdemeanours, compensated Virgin and acted to prevent their recurrence.

Money supply growth could bolster Tokyo share surge

By Charles Leadbeater in Tokyo

THE MOST severe monetary contraction in Japanese post-war history may be over, according to figures published yesterday which show that the money supply has started to grow again.

The Bank of Japan said the money supply in February grew by 0.2 per cent compared with the year before. In January, the year-on-year figure showed a contraction of 0.3 per cent.

The money supply's revival may help to fuel the recent strong rally in the Tokyo stock market. The Nikkei average closed at 18,537 yesterday, down by 190 points on the day, but 10 per cent up from a close of 16,817 two weeks ago.

Some analysts believe the rebound in Tokyo share prices may mark the end of a three-year bear market as the decline in the Japanese economy bottoms out with signs of increased production in some areas such as steel and bulk chemicals.

The rally, however, has mainly

been driven by speculation about the government's plans for a further package of measures to stimulate the economy. These are likely to be finalised shortly before Mr Kiichi Miyazawa, the prime minister, leaves for a visit to Washington on April 15.

The renewed growth in the broadly defined money supply, M2 and certificates of deposits, follows the Bank of Japan's recent cut in its official discount rate to a historic low of 2.5 per cent.

The money supply grew by 0.5 per cent from January, when it had contracted by 0.3 per cent. It fell by 0.5 per cent last September, the first contraction on record, and then by 0.8 per cent in October and November.

Broad liquidity, which measures monetary conditions more generally, rose by 2.9 per cent in February, up from a growth rate of 2.8 per cent in January.

The Bank of Japan said the rise was due to increased holdings of commercial paper by financial institutions and reduced tax pay-

ments by corporations.

A government savings survey, however, suggested renewed strong growth in personal consumption, which accounts for more than 50 per cent of gross domestic product. It is unlikely, however, to be sustained.

The survey by the management and co-ordination agency found that the savings of salaried workers rose by 5.2 per cent in 1992 to an average of ¥11.87m (£99,400) compared with the year before, while savings among non-salaried workers rose by 1.3 per cent to an average of ¥21.25m.

The ratio of savings to income stood at 1.6 per cent last year, up from 1.3 per cent ten years before. The report said the increased savings were mainly to pay for pensions as Japan's population is ageing rapidly.

Toyota and Nissan, the leading carmakers, underlined the economy's sluggishness by announcing that their domestic production last month fell by 1.2 per cent and 1.1 per cent respectively.

Steelmakers see falls, Page 10

NatWest to charge daily

Continued from Page 1

to five times as much per account than others and it was fair that they paid more. He said the bank expected to neither gain nor lose under the new structure, although it hoped it would eventually save money by persuading customers to change their behaviour.

NatWest is also removing the system of waiving fees for customers who go into overdraft provided that their average cleared balance during a quarter is above £500.

Customers in overdraft will be charged £9 a month, and a £3.50 daily fee if they have an overdraft more than £50 in excess of agreed limits. They will not be charged for warning letters.

NatWest produced figures to show that a customer with a £500 unauthorised overdraft for a quarter, who gets one warning letter and one returned cheque, will be £182 better off a year under the new structure.

Foreign share of Japan's chip market increases to 20%

By Louise Kehoe in San Francisco

FOREIGN manufacturers' share of the Japanese semiconductor market jumped to 20.2 per cent in the fourth quarter last year.

This matches Japan's commitment to the US to open up its electronics market and deflates the risk of a potentially acrimonious row expected during bilateral talks in Hawaii this weekend.

US semiconductor makers welcomed the news yesterday, especially as most forecasts put the likely foreign market share in the fourth quarter at about 17.5 per cent.

The share reached 18.9 per cent in the third quarter of 1992, its then highest level since the 1986 bilateral semiconductor agreement was signed, when foreign chip sales accounted for 8 per cent of the Japanese market.

"This proves that Japan can

open its markets if it chooses to," said one industry official.

The unexpected fourth-quarter jump meets the promise in Japan's 1991 semiconductor agreement with the US that foreign market share would grow to more than 20 per cent by the end of 1992.

It also defuses what was shaping up to be a bruising meeting in Hawaii tomorrow, the first formal meeting between US and Japanese trade officials since President Bill Clinton took office in January.

There were fears that a shortfall from 20 per cent, widely expected in the light of US industry reports of cancelled orders - would prompt demands for trade sanctions.

The US semiconductor industry is now concerned that the higher market share in Japan should be sustained. US industry executives said much of the increase

may be due to a shrinking market in Japan. "A temporary improvement will not resolve the issue," said Mr Alan Wolff, counsel to the Semiconductor Industry Association.

The Japanese consumer electronics sector, in particular, has been hard hit by the slowing Japanese economy. While this has reduced the overall size of the Japanese chip market, it has had little impact on US chip imports.

US and Japanese officials are concerned that the recent rise in market share may be reversed this year as consumer electronics sales pick up in Japan.

The US is expected to seek assurances from Japan of sustained market share at an average 20 per cent for the next 12 months. However, officials of Japan's Ministry of Trade and Industry have said they will not accept further numerical measures of market openness.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)				Tokyo (¥)				Hull Steam Packet			
Rises				Falls				Rises			
Asda	710	+ 55		Asda	710	+ 55		Asda	710	+ 55	
Hutchison	1059.5	+ 215.5		Hutchison	1059.5	+ 215.5		Hutchison	1059.5	+ 215.5	
Lindo	796	+ 12		Lindo	796	+ 12		Lindo	796	+ 12	
FTSE				FTSE				FTSE			
GEH	412	+ 10		GEH	412	+ 10		GEH	412	+ 10	
IBR (Daily)	353	+ 6.5		IBR (Daily)	353	+ 6.5		IBR (Daily)	353	+ 6.5	
Springer Axel	634	+ 12		Springer Axel	634	+ 12		Springer Axel	634	+ 12	
New York (\$)				New York (\$)				New York (\$)			
Rises				Rises				Rises			
Digital Micro	11	+ 1/2		Digital Micro	11	+ 1/2		Digital Micro	11	+ 1/2	
Louis Galois	3 1/4	+ 1/4		Louis Galois	3 1/4	+ 1/4		Louis Galois	3 1/4	+ 1/4	
Falls				Falls				Falls			
Amgen	33 1/2	- 3/4		Amgen	33 1/2	- 3/4		Amgen	33 1/2	- 3/4	
Chiron	50	- 2 1/4		Chiron	50	- 2 1/4		Chiron	50	- 2 1/4	

World Weather

UK Today: Dry with sunny spells, turning cloudy later, over southern counties and the east Midlands. Elsewhere mainly cloudy with light rain. Cloudy with some heavy rain and gale-force winds over northern Scotland.

City	Temp	Wind	Cloud	City	Temp	Wind	Cloud	City	Temp	Wind	Cloud
London	10	10	10	London	10	10	10	London	10	10	10
Paris	12	12	12	Paris	12	12	12	Paris	12	12	12
Amsterdam	11	11	11	Amsterdam	11	11	11	Amsterdam	11	11	11
Brussels	11	11	11	Brussels	11	11	11	Brussels	11	11	11
Berlin	11	11	11	Berlin	11	11	11	Berlin	11	11	11
Cologne	11	11	11	Cologne	11	11	11	Cologne	11	11	11
Düsseldorf	11	11	11	Düsseldorf	11	11	11	Düsseldorf	11	11	11
Frankfurt	11	11	11	Frankfurt	11	11	11	Frankfurt	11	11	11
Hamburg	11	11	11	Hamburg	11	11	11	Hamburg	11	11	11
Munich	11	11	11	Munich	11	11	11	Munich	11	11	11
Nuremberg	11	11	11	Nuremberg	11	11	11	Nuremberg	11	11	11
Stuttgart	11	11	11	Stuttgart	11	11	11	Stuttgart	11	11	11
Vienna	11	11	11	Vienna	11	11	11	Vienna	11	11	11
Zurich	11	11	11	Zurich	11	11	11	Zurich	11	11	11

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Weekend FT

SECTION II

Weekend March 20/March 21 1993



THIS WEEK the Budget Red Book truly lived up to its unofficial name, showing projected deficits on a scale not seen since the 1970s.

The government that was once committed to a balanced budget is set to borrow £50bn (some 8 per cent of gross domestic product) in the coming financial year and on its central projection will still be borrowing at the rate of £30bn a year (nearly 4 per cent of GDP) in 1997-98.

Whereas last year, just before the election, the Treasury projected a return to medium-term balance on the basis of incredible economic growth assumptions, this time the growth looks more plausible but the borrowing is unbelievable. In practice it will all work out some other way, and that certainly appeared to be the assumption in the gilt-edged market which scarcely batted an eyelid this week at the prospect of perhaps £140bn of net new issues being unloaded on to it over the next four years, doubling the volume of outstanding paper.

Perhaps, indeed, the adjustment will take place through deep cuts in

public spending, or extension of VAT to newspapers, children's clothing and a lot more, or by some other means which gilt holders would also view enthusiastically. But there are darker possibilities.

Taken literally, the prediction of a 2 per cent inflation rate at the end of the 1990s implies that the government proposes to borrow at a real rate of some 6 per cent when it issues fixed income gilts (although it can get away with about 3 per cent on index-linkers). When a country borrows at a real interest rate greater than the rate of economic growth the burden of the debt will keep on growing even if the budget returns to balance. Debt is rarely repaid on any scale, so in these circumstances eventual default is almost inevitable, usually achieved behind the smokescreen of restructuring or inflation.

This week Norman Lamont required future generations of British taxpayers to assume the burden

of the nearly £1,000 a head by which we propose, as a nation, to live beyond our means in 1993-94. Those future taxpayers have not had the opportunity to give their consent, and they may decline to pay.

True, some unexpected bonus, such as a surge of economic growth, may yet retrieve the situation. The budget deficit melted away in the late 1980s, in an unpredictable way. The overall debt burden does not yet compare with that of, say, Italy.

Those sturdy British citizens of the next millennium may grit their teeth and dutifully pay the postponed taxes of the wretched victims of the 1990s depression. It is more likely, however, that we will face some kind of capital market discontinuity, of which there are two excellent examples in recent British history.

One was in 1978 when Denis Healey as Labour chancellor was manfully attempting to run deficits which would offset the vast sur-

The Long View / Barry Riley

Living £1,000 beyond our means

THE BUDGET AND YOU

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pluses of the oil-producing countries. The 1975-76 budget deficit reached £10.3bn, or 9 per cent of GDP, and the first estimate of the borrowing requirement for 1976-77 was £12bn (the equivalent of £60bn in relation to the UK's current money GDP). The trade deficit appeared to be running at 1.5 per cent of GDP (actually less than the near 3 per cent current account deficit now officially forecast for 1993).

In the end the markets concluded that the strategy was unbelievable. Gilt-edged investors went on strike, the stock market went into free fall and sterling collapsed. By September Healey had to call in the IMF. The irony of it all was that the figures were hopelessly pessimistic: in the end the PSBR was little more than £8bn and the trade gap was less than 1 per cent of GDP.

The other example came only last year when the UK's position within the European exchange rate mechanism became unsustainable. To

hold sterling's parity against the D-Mark interest rates needed to be very high, but the British economy was not strong enough to cope. An attempt to raise rates then became, once again, unbelievable.

At that time the crisis revolved around short-term interest rates and the foreign exchange market. The future problem would centre upon long-term rates and the debt market, but might be essentially similar in its nature: investors would require higher rates in order to take up the ever-mounting debt, but the future burden of higher borrowing costs would appear impossible for a sluggish economy to sustain.

The positive aspect of all this is that out of crisis can come common sense. In 1976 and 1982 the collapse of confidence in the financial markets forced the politicians to abandon dangerous policies. Norman Lamont, too, might need to be forced into prudence.

In late 1976 and early 1977 there was an astonishing turnaround in sentiment as the markets responded to the spending cuts required by the IMF. In 1983 the markets are assuming, quite reasonably, that the Red Book projections imply that eventual corrective action will be triggered. However, in certain respects Lamont, burdened by 3m unemployed and an elusive recovery, is worse off than Healey, who had to contend only with just 1.3m jobless (though this was a high figure at the time) and who - whatever the environment of financial crisis - luxuriated in an economic growth rate of 3.7 per cent for calendar 1976.

Might a future chancellor, like Lamont last year, be tempted or even forced to break out of his straitjacket? He would do it this time by suspending the full funding rule entirely, inflating the money supply and going for growth on the basis of a weakening exchange rate.

He would no doubt be idolised by the tabloid press, which this week viewed Lamont's tax increases, deferred though they were, with grotesque alarm. But he would still need to borrow and could never escape the grip of the markets. The Red Book is surely overdoing the red ink.

Magicians of the little red box

THEY HAVE not formed a dining club, but there is a remarkable number of former UK chancellors around: eight altogether. Some were obviously more successful than others, although none was successful throughout and even the "problems of success," as Edward Heath called them, brought pain in their wake. Talking to the ex-chancellors leads to a sense of continuity. All have dealt with the weakness of sterling; nearly all have had difficulties in controlling public spending and, in varying degrees, they have all doubted the accuracy of the figures on which their actions are based. For some, the annual Budget and even the annual public expenditure exercise are not their central task. For much of the time, they are simply reacting to events.

The most toothfully enthusiastic of the former chancellors is the oldest: Lord Thorneycroft, now 83. The most intriguing, historically, is Lord Barber - if only because he has remained so silent since. The four most effective were, in different ways, Roy Jenkins, Denis Healey, Geoffrey Howe and Nigel Lawson: two Labour men and two Tories.

James Callaghan had to deal with circumstances beyond his control, but found the experience useful when he went on to higher things. John Major delivered only one Budget before becoming prime minister. Last Tuesday's was Norman Lamont's third. For what it is worth, recent precedent suggests that chancellors rarely resign and are sacked even less often.

If you omit Iain Macleod, who died in 1970 after 31 days in the post, the average length in office, between the return of a Labour government in 1964 and Lawson's resignation in October 1989, was more than four years. Until Lawson departed over exchange-rate policy, the only post-war chancellor who resigned was Thorneycroft. No chancellor has been sacked since Selwyn Lloyd in 1960.

Whether Thorneycroft achieved anything by going is still a matter of intense debate in the higher reaches of the Tory party. He resigned from Harold Macmillan's cabinet in early 1956 over public expenditure which he judged was - note the figure - £50m too high.

Thorneycroft says that he has never had any regrets. "Harold was a delightful man,

but he was a big spender...I resigned when I knew that we couldn't go on continuously and regularly overstretching our resources." He denies the rumour which emanated from Downing Street at the time - that he was put up to it by Enoch Powell and Nigel Birch, who went with him. It was his own doing, he insists. He and the prime minister agreed to put the public expenditure matter to the full cabinet. The prime minister won and the Treasury lost. That meant that the chancellor's authority was in danger of being undermined in all future spending arguments. It

Heath government. It was not a happy time. Heath and Barber never had that close relationship between prime minister and chancellor that seems essential at least to the appearance of good government. It was a period of sudden policy lurches: from Selsdon Man and economic *laissez-faire* to prices and incomes control, and Heath tended to rely on senior civil servants such as Sir William Armstrong rather than on ministers. "It was even more of a 'yes man' cabinet than Mrs Thatcher's," says Lawson. Barber admits now that he thought more than once of

because Britain had no history of a sales tax. Possibly he had an eye for talent. When Barber left politics for banking in 1974, he chose as his bag carrier and personal assistant an almost unknown young man called John Major. And it was his determination to give up the House of Commons at the next election that perhaps helped him to stay calm as chancellor. In early 1973, Barber presided over an unprecedented year-on-year economic growth rate of 10.5 per cent. That was the Barber boom. By December that year, he was introducing a draconian programme of

shoots of recovery," there was a phrase he came to regret. "We are back on course. The ship is picking up speed. Steady as she goes!" he said in his 1967 Budget. Devaluation came six months later. After that, there was never any question that he would stay on, nor did he wish to do so. Roy Jenkins succeeded him. Jenkins recalls now that he was "totally indispensable" to the Labour prime minister, Harold Wilson. "I had the power of an H-bomb over him," he says and sounds as if he wished he had used it. Certainly he regrets that he was not decisive enough with his first Budget.

To gain the benefits of devaluation, he suggested bringing the 1967 Budget forward to mid-February and combining it with an announcement of expenditure cuts.

All official advice was against him because the Treasury has never liked the idea of a unified Budget, and Jenkins allowed himself to be overruled. Besides, said the Treasury, it was impossible to construct a Budget without waiting for the short-term economic forecasts.

Jenkins has less admiration for the Treasury mystique and conventions than most former chancellors. "It's not the smooth purring Rolls-Royce machine that is often supposed," he says.

He found that there were better officials at other departments though he does single out for praise Sir Douglas Allen (later Lord Crobham) as his permanent secretary and one or two others. He thought the secrecy was excessive and regularly ignored it. Once he lost the

Last Tuesday marked the end of the traditional March financial ritual. Malcolm Rutherford reflects on eight ex-chancellors who took the starring role

also illustrates a cardinal rule: if the prime minister and the chancellor are working well together, politics should be relatively smooth; if they are not, there is likely to be trouble. The Thorneycroft resignation remains of interest in other ways. "I'm not a rich man," he says, but when he looks around his Eaton Square flat you know that "rich" means "super-rich." Very few modern ministers can easily afford to put principle first. Heath's first choice of chancellor was Macleod, who was ready to introduce value added tax. When Macleod died, he turned to Tony Barber, a successful former party chairman, and former treasury minister, then in the cabinet as chancellor of the duchy and just starting the negotiations on Britain's entry to the European Community. Barber remained chancellor for the rest of the

resigning. He "hated" the prices and incomes policy, but was persuaded, as were many other free-market Tories at the time, that there was nothing better available. What prompted thoughts of resignation was the continuing rise in public expenditure, but he remembered Thorneycroft and concluded that his resignation had not achieved anything. Nevertheless, the Barber stewardship was eventful. He introduced VAT in his 1971 Budget, but did not heed the advice of good friends in Europe: two youngish finance ministers called Valéry Giscard d'Estaing and Helmut Schmidt. Giscard advised him to set a uniform rate as high as possible straightaway, with a minimum number of exemptions. That was the way to avoid storing up trouble for the future. The chancellor replied that it was not practical

spending cuts. Healey, the Labour chancellor who took over from Barber, says that he left a mess like the Augean Stables behind him. Yet, by British standards, Barber had inherited an unusually healthy economy from Jenkins in 1970 with the first surplus in the PSBR since 1936-37 - though also the last until Lawson. Jenkins had become chancellor in late 1967 following devaluation and the departure of Callaghan. In his book *Time and Chance*, Callaghan describes the loneliness of it all: "I have never experienced anything more frustrating than sitting at the chancellor's desk watching our currency reserves gurgling down the plughole day by day and knowing that the drain could not be stopped. I could not even share the misery with others." Like Lamont with the "green

Continued on Back Page



Achievement: resignation on a point of principle - public expenditure
Weakness: had lost the battle
Key Budgets: only one Budget - reduced purchases tax
Went on to be: other government roles, and to be chairman of the party, chairman of Pirelli UK and chairman of Trusthouse Forte
Quoted: "It's not a rich man."



Achievement: opposed devaluation as long as he could; introduced betting tax
Weakness: should not have resisted as long
Key Budgets: 1965, introduced corporation tax, 1966, introduced selective employment tax
Went on to be: home secretary, foreign secretary, prime minister
Quoted: "We are back on course...Steady as the goes."



Achievement: turned economy round after devaluation
Weakness: none on the economic side
Key Budgets: 1968, raised taxes by £200m - a record, leading to government surplus by 1970
Went on to be: President of the European Commission, leader of the SDP
Quoted: "I had the power of the H-bomb over Harold Wilson."



Achievement: year-on-year growth of 10.5%
Weakness: failure to stand up to Ted Heath; legacy of inflation
Key Budgets: 1971, foreshadowed value added tax
Went on to be: chairman of Standard Chartered Bank
Quoted: "I hated the prices and incomes policy, but was persuaded there was nothing better."



Achievement: turned round British economy 1974-78
Weakness: had to go to IMF to do it
Key Budgets: had to quantify because budgets mixed up with statements on spending and income policy
Went on to be: deputy leader of the Labour party
Quoted: "I always regretted that I didn't find it easier to work more closely with Roy Jenkins."



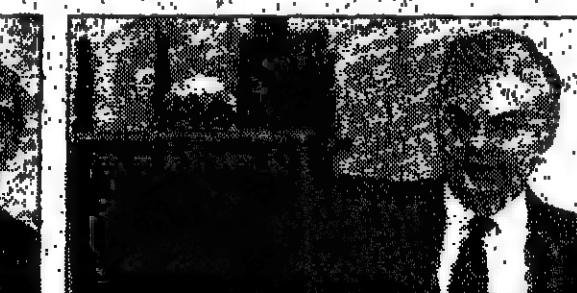
Achievement: tax cuts, tax reforms and loosening of controls
Weakness: decline of manufacturing industry
Key Budgets: 1979, direct tax cuts, rise in VAT, 1980 medium-term financial strategy, 1981, tax increases
Went on to be: foreign secretary
Quoted: "The policies of the sinking have been tested to destruction, and beyond." (1979 budget)



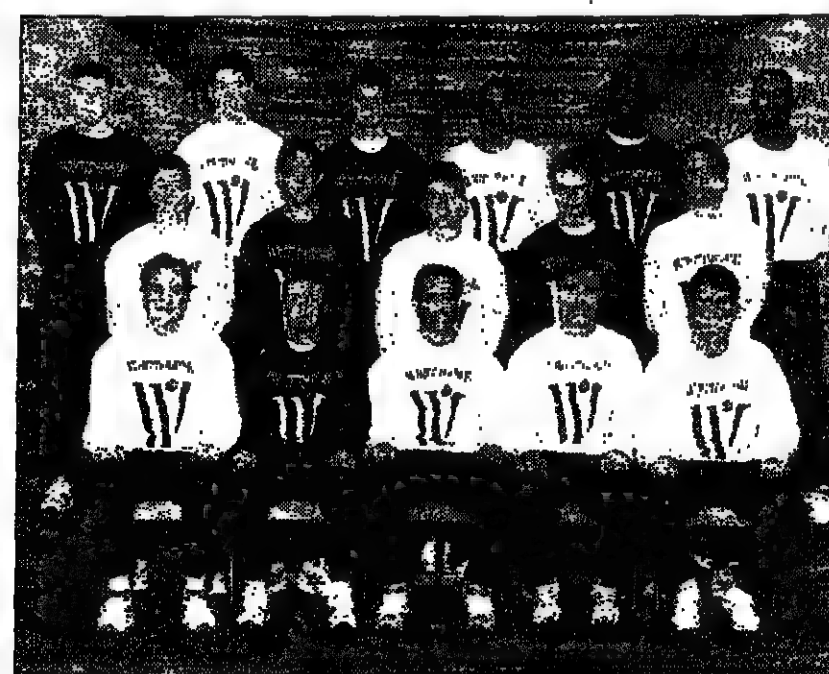
Achievement: more tax cuts, more reforms, economic growth and falling unemployment
Weakness: boom went too far and inflation rose
Key Budgets: 1984, tax reforms, abolition of investment income surcharge, 1986: single higher rate of tax cut at 40 per cent, basic rate down to 25 per cent
Went on to be: The View From No 11, Member of a Tory Radical



Achievement: introduction of Taxman
Weakness: not apparent in the time available
Key Budgets: only one date - savings incentives
Went on to be: prime minister
Quoted: "It isn't hurting, it isn't working."



Achievement: bringing down inflation; persuading his colleagues to accept a unified Budget
Weakness: premature optimism; careless about publicity
Key Budgets: 1992, reduced rate band of 20p on first £2,000 of taxable income
Going on to be: present convention suggests that he will one day be offered a peerage
Quoted: "I expect growth in the year to the second half of 1992 to be almost two per cent" (1992 Budget)



WHITTINGDALE

GILT-EDGED EXPERTS

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FINANCE AND THE FAMILY

THE BUDGET AND YOU

London

Believe it or not, that wasn't a recession

By Peter Martin, financial editor

WHEN COLE RIDGE first thought up that phrase about the "willing suspension of disbelief" - the "poetic faith" we feel in the presence of true artistic creativity - he probably did not have the Budget in mind.

But he should have done. Consider this year's example. Norman Lamont asked us to believe that significant business tax rises - through Advance Corporation Tax and Petroleum Revenue Tax - were actually tax concessions proffered in response to eager pleas by the corporate sector.

He asked the gilt market to believe in the bankability of government promises to raise taxes stretching several unfathomable years into the future, and in the plausibility of a spending review that has barely even started.

Most improbably of all, the Treasury asked us to believe that there was really no recession last year after all.

The UK's non-oil gross domestic product shrank by only 1/4 per cent point during 1992, according to the economic estimates published to accompany the Budget.

Even that modest slipshod overstates what actually happened, on the Treasury's figures: if you compare the fourth quarter of 1992 with that of 1991, there was really no change. Manufacturing output was actually 1/4 per cent higher in the fourth quarter than it had been a year before.

Faced with all this, the markets did their best to suspend their incredulity. Share prices fell on the day after the Budget, with the FT-SE 100 index dropping 28.4 points to 2882.5. By the end of the week, blue chips had recovered some of their lost ground, and the FT-SE 100 closed at 2900.1 on Friday, down 15.5.

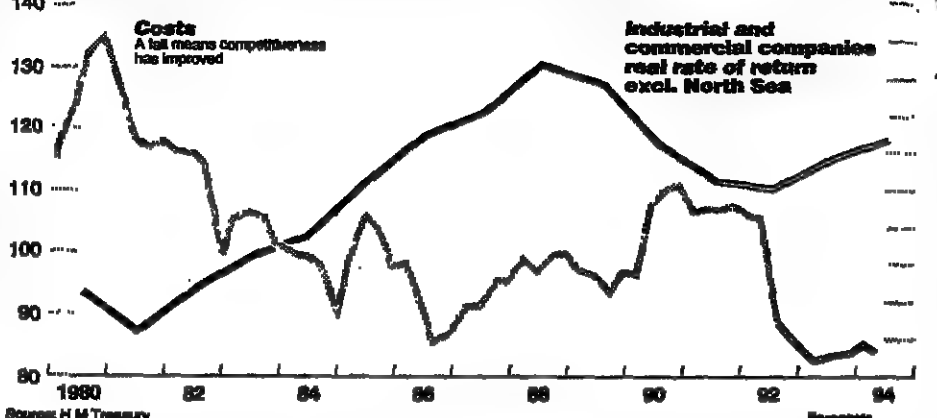
Smaller companies had no lost ground to make up: the FT-SE Mid 250 index actually rose on the day after the Budget, and closed the week up 1 per cent.

The gilt market, which had begun the week in a mood of foreboding, appeared to have suspended its critical faculties by the close. Even though the Treasury's new estimate of the 1993-94 public sector borrowing requirement, at £20bn, was higher than earlier estimates, the market responded enthusiastically. The yield on 10-year gilts, which was 7.56 per cent at the end of last week and 7.66 per cent in the immediate aftermath of the new PSBR estimate, ended the week at 7.61 per cent.

The decisive factor for the gilt market was probably not the Budget itself, nor Norman Lamont's promise of a "wedge" of rising tax revenues in years

The Treasury's estimate of the outlook for UK companies

Costs against major 15 industrial countries, 1985-1990



to come. It was the growing evidence that a solid economic recovery is under way, ranging from the discovery, in the Treasury's figures, that last year had not been as ghastly as it seemed, to higher building society lending and lower unit wage costs, culminating in Thursday's unexpected drop in unemployment for the first time in 34 months.

The market has convinced itself that only economic growth can deliver an escape from the spectre of ever-rising government borrowing; this week, that prospect seemed on balance a little more likely.

Ever since last autumn, the equity market has been expecting such a recovery. This week's developments, therefore, have been dominated by an attempt to calculate whether the tax changes in the Budget were likely to help or harm the value investors put on the profits stream that recovery will generate.

For higher-rate and tax exempt shareholders, the changes in the tax treatment of dividends mean that the stock market is less valuable than it was before the Budget, as articles elsewhere in this section explain. The gross dividend yield on the FT-Actuarial All-Share seems likely to drop from around 4.1 per cent to something like 3.9 per cent. At that figure, it would be reaching the level at which equities have traditionally been seen as unsustainably expensive.

Of course, gross dividends are only of direct relevance to tax-exempt investors; for others, the net dividend is the more important figure. Taking that into account, brokers' analysis seemed divided about the impact of the changes. NatWest Securities reckoned that only 39 per cent of equity investors were adversely affected; Goldman Sachs put the proportion at 70 per cent or more.

Amid the confusion, two facts seemed clear: the government had stepped up its tax take from companies and their

shareholders by £1bn a year, and it had chosen to help companies with surplus ACT problems at the expense of those without. Since surplus ACT is concentrated in a relatively small number of businesses - those with a very heavy dependence on overseas profits, or with unusually high dividend payouts - individual gains stand to win much more than individual victims will lose. Shares that benefited from this reasoning included Redland, up 21p since the Budget to 477p, and BAT, up 19p to 952p.

The market seemed reluctant to single out other individual gainers and losers from the Budget. Rolls-Royce Motors, part of Vickers, stands to be a significant loser from the changing structure of company car taxation, which will penalise very expensive cars much more heavily than at present. Vickers shares scarcely budged, however, dropping only 2p after the Budget to close the week at 129p; presumably no longer regard Rolls-Royce as a significant factor in valuing the group.

Whisky distillers, singled out for favourable treatment in the Budget speech by a whisky-sipping chancellor, also stand to benefit, in relative terms at least, from a less onerous rise in excise duties than that imposed on other forms of alcohol. Guinness shares dropped 28p to close at 462, affected more by lack-lustre results than by any advantage accruing to the whisky trade.

Oil companies with North Sea interests fell into two camps after the Budget. Those with mature fields and little to gain from a continuation of the old system of lavish allowances for future exploration (perhaps because they had already used up all the allowances the taxman would give them) stand to be big gainers.

Analysts decided that BP was the best example of this category: its shares rose only 4 1/2p, however, closing the week at 289 1/2p. Oil companies

which had counted on a continuation of allowances in the future, typically smaller independents, stand to lose: overall, the sector lost 0.4 per cent. In principle, you might think that gas and electricity utilities would also suffer from the Budget, with its promise to impose value-added tax in years to come on domestic fuel and power. Curiously, the stock market appears to believe that consumers are indifferent to the price they pay to stay warm: British Gas shares lost only 2 1/2p, closing the week at 287 1/2p.

In this, as in other respects, investors proved willing to offer companies, and the chancellor, the benefit of the doubt. Spring weather, favourable economic statistics, a strengthening pound, and a Budget speech which made a nod in the direction of future austerity - together these left traders eager to set their darker thoughts aside.

Still, Coleridge's willing suspension of disbelief is a transitory experience. At the end of the play, the audience leaves the theatre; at the end of the story the reader puts the book down. Just how long can this particular outbreak of poetic faith be expected to last?

BUDGET AT A GLANCE

- Already implemented**
- Stamp duty threshold for houses, land and property doubled to £50,000.
 - Duty on unleaded petrol up by 12p a gallon and on leaded petrol by 15p.
 - Pint of beer up 1 1/2p, bottle of wine up 5 1/2p, no change to spirits, cigarettes up 10p a pack.
 - Minimum for Gift Aid donations lowered from £400 to £250.
 - End to loan-back Business Expansion Schemes.
 - Capital gains tax roll-over relief available to entrepreneurs who reinvest the proceeds from the sale of shares in their business into shares in a qualifying unquoted trading company.
 - The value of outplacement counselling will no longer be treated as a taxable benefit.

- April 1993**
- Lower rate band of 20 per cent extended from first £2,000 of taxable income to £2,500.
 - Basic rate and higher rate taxes unchanged at 25 per cent and 40 per cent.
 - The higher rate threshold is unchanged at £23,700.
 - Personal allowances frozen at £3,445 for those under 65, £4,200 for those aged 65-74 and £4,370 for those 75 and over. The threshold at which age related allowance starts to be withdrawn is unchanged at £14,200.
 - No change to thresholds for capital gains tax, which will remain at £5,800, nor to inheritance tax which remains at £150,000.
 - Earnings cap on pensionable income frozen at £75,000.
 - National Insurance Contributions lower earnings limit raised to £56 a week from £54 a week. The upper earnings limit is £420 from £405.
 - The tax credit on dividends will be reduced to 20 per cent. The effect will be to reduce returns to non-taxpayers, such as pension funds and Peps, and to 40 per cent taxpayers, but will be neutral for 25 per cent taxpayers.
 - Investors to same personal equity plan for a number of years need complete only one application form.
 - Tax relief for employee removal expenses limited to £5,000 per move. Tax relief for additional housing cost payments withdrawn.
 - Vehicle excise duty rises by £15 to £125.
 - Company car scale charges increase by 8 per cent.
 - Company car fuel scale charges increase by 20 per cent for private use. Abolition of the 50 per cent reduction where business miles exceed 10,000.
 - Annual limit on give-as-you-earn donations raised from £500 to £300.

- April 1994**
- Lower rate band of 20 per cent extended from first £2,500 of taxable income to £3,000.
 - Tax relief limited to 20 per cent on the married couple's allowance, the married couple's age allowance, additional personal allowance and widow's bereavement allowance.
 - Married couple's age allowance to rise by £200.
 - Tax relief on mortgage interest to be applied at 20 per cent instead of 25 per cent.
 - VAT extended to domestic fuel and power at 8 per cent.
 - National Insurance contributions will rise for Class 1 employees to 10 per cent from 9 per cent and from 6.3 per cent to 7.3 per cent for Class 4 self-employed. Employers' contributions remain unchanged.
 - Company cars taxed on basis of their list price instead of engine size.

April 1995

- VAT on domestic fuel and power to rise to 17.5 per cent from 8 per cent.

First tax year to which self-assessment for those filling in tax returns forms would apply.

HIGHLIGHTS OF THE WEEK

	Price	Change	1992/93	1992/93	
	£/day	%	High	Low	
FT-SE 100 Index	2900.1	-15.8	2957.5	2281.0	Budget moves on ACT
FT-SE Mid 250 Index	3164.7	+55.2	3154.7	2157.8	Budget aid for small companies
ABDA	75 1/2	+5	77 1/2	21 1/2	Joining FT-SE 100
Airtours	322	-17	345	172	Bid for Overseas Airline
BAT Ind	952	+44	1010	808	Ukraine joint venture
BP	289 1/2	+18	304 1/2	182	Petroleum New Tax reduction
Evans Halshaw	299	+21	316	167	Good results
Glaxo	613	-32	943	509	US price freeze worries
Hammerstein A	369	+34	503	165	British Land bid rumours
Highland Distilleries	264	+13	305	191	No excise duty increase
Land Securities	519	+23	519	343	James Capel "buy" on property
Laporte	531	-44	586	434	Profits down 10 per cent
Legal & General	499	+16	485	287	Good results
Schroders	1953	+183	1983	1043	Better-than-expected profits
Spring Ram	13	-50	181	55	Profits warning

Serious Money

Long, dull and infernal

By Philip Coggan, personal finance editor

THE DEVIL is in the detail, said Ross Perot, the US tycoon, and he might easily have been speaking about the Budget. Norman Lamont's speech might have seemed both long and dull, but there was plenty for investors to ponder in the small print.

Most tax allowances were frozen, such as the personal allowance, the higher rate band, the annual CGT allowance, the age allowance and the inheritance tax threshold. The married couple's allowance was not only frozen but restricted to 20 per cent from April 1994.

Mortgage interest relief is also being restricted to 20 per cent, as from April next year. At the same time, citizens can look forward to another 1 per cent rise in National Insurance contributions on earnings between £55 and £420 a week. Taken together, those changes could take £645 in 1994-95 from a married person with a mortgage who earns £30,000 a year. The sole concession is the widening of the 20 per cent rate band, which works out at a whopping £35 per person over each of the next two years.

Do not spend it all at once, especially as the chancellor decided to round up the usual victims - smokers, beer-drinkers and motorists - for their annual clobbering. He added

VAT on fuel for bad measure. The implications of the above changes are at least relatively straightforward. Where matters become more complicated is in the detail and, in particular, the change in the way that advance corporation tax is levied.

The figures are spelt out on page 111, but the upshot is that, other things being equal, higher-rate taxpayers, non-taxpayers and Peps holders will all see a 6.25 per cent cut in their dividend income.

It might be that companies will increase their net dividends to compensate, but, in the context of a weak economy and low dividend cover, it seems far from certain. The perverse impact of all this is that the elderly, who have saved prudently for their retirement so as not to be a burden on the state, will be the group much the worst hit by the Budget. They will probably see their dividend income fall, while also paying the Chancellor's other levies.

What should private investors do? In spite of industry protests, the benefits of a Peps have always been less obvious for a basic rate than for a top rate payer. Even more so than before, basic rate payers should carefully examine plans to ensure the charges do not outweigh the tax break. Indeed, Guinness Flight has cut the charges on its Temple

Bar PEP precisely to address this point.

The change may also tilt the investment argument slightly towards bonds and away from shares. A portfolio with a 5/55 per cent split between shares and bonds might be shifted to a 60/40 split.

According to Whittingdale, the gilt fund managers, the change will produce a benefit, in the form of a slightly higher yield, for basic rate taxpayers who hold bond funds. However, the chancellor did not allow bond funds to qualify for Peps so the news is not all good.

Whether or not you find gilts more attractive after the Budget probably depends on whether you are convinced that the government has made sufficient effort to bring the budget deficit under control. If you are unconvinced, you may still find that index-linked gilts are appealing. The real yields of over 3.5 per cent on long-dated issues compare very favourably with the 4 per cent dividend yield on the equity market.

Although index-linked issues offer little income, they have distinct tax advantages. Do not forget index-linked National Savings either - the limit has been doubled to £10,000. One wrinkle also worth not-

ing is that company convertible bonds are unaffected by the ACT change (since they pay interest), whereas convertible preference shares, however, do suffer (because they pay a dividend). This might increase the attractions for private investors of convertible bonds, which offer a steady income and the possibility of profits if share prices rise.

It is also important to return to the argument advanced by Robin Angus, of NatWest Securities, that private investors should concentrate on total return.

Although the chancellor did not increase the CGT threshold, at £5,800 it still represents an allowance that most investors fail to use.

A return of 5 per cent capital and 3 per cent income is just as good in gross terms as a return of 8 per cent income and no capital growth. Given the different tax treatments, the former option may be much better in net terms.

This just scratches the surface of the technical changes which the chancellor made. Those who have company cars, BES plans, their own businesses or who are long-suffering Lloyd's names will find relevant articles in the next few pages.

In short, there are a lot of details - and a lot of devils too.

The Bottom Line

ACT: winners and losers

THE chancellor's changes to the advance corporation tax (ACT) regime do not necessarily spell good news for companies. Although there are obvious winners, there are also losers. The reduction in the rate of ACT, from 25 to 20 per cent over two years, appears good news for business. Companies will get a cash-flow benefit, as ACT is payable in advance but corporation tax is paid in arrears. The changes pose two potential problems: a higher tax charge and institutional demand for higher dividends.

First, companies which have suffered from surplus ACT in past years can offset it against UK corporation tax as long as their profits recover. But the amount of surplus ACT which they can offset against £33 of corporation tax will reduce from £35 to £20. As a result, their marginal tax rate will rise from 8 to 13 per cent.

Second, tax-exempt investors, such as the pension funds, may want companies to pass on any benefits accrued from the changes in the form of increased dividends. One senior fund manager said: "We will obviously look at each case separately. But I do not think that a company which stands to gain significantly from the changes should think twice about not increasing its dividends proportionately."

Andrew Jones, the senior partner at Ernst & Young, believes the reduction in the ACT rate will be of most help to companies which have lots of UK taxable profit and no ACT problem. They will have a reduced cash flow cost because they pay less ACT in absolute terms. Stephen Boddice, finance director of T & S Stores, believes his company is a typical example of gaining from the reduced cash flow, although the amount is not big.

Another class of companies which could benefit, according to Jones, is that which has a minority of its British taxable income from UK sources. "In those cases," he says, "ACT is close to being an irretrievable problem and, again, the reduced absolute cash cost will afford them some relief, though far less than they would immediately expect." Colin Hope, chairman and chief executive of T & N, the motor components and engineering group, concurs: "The changes will unquestionably be of use to us over the next few years. But they will of less help than one might think."

Another winner in this category is BBA, the automotive, aviation and industrial component maker which generates most of its revenue overseas. Peter Clappison, finance director, said the changes should save it around £1m in tax. But the bulk of companies which have a surplus ACT problem will be no better off. Those

companies which have curtailed dividends to utilise past ACT may be substantially worse off.

Most analysts believe Trafalgar House, the construction, engineering and shipping conglomerate, fits into this category. The group believes, however, that the effects of the changes will be neutral because of its increased overseas earnings.

Hoare Govett has identified a number of FT-SE 100 winners from the changes. These include the industrial conglomerates BTR and Williams Holdings; RTZ Corporation, the world's largest mining company; HSBC Holdings, which last year acquired Midland Bank; Standard Chartered; Smith & Nephew, the international health-care and consumer group; and Ladbroke, which owns Hilton International hotels and various betting businesses. But the only clear winners are those which are able to raise the dividend or pay dividends that are sufficiently generous to keep tax-

'Changes are not necessarily good news'

exempt shareholders happy. Ladbroke, is an obvious example of such a winner. Cyril Stein, the chairman, said: "Given our high yield, I am confident that pension funds will not be pressing us for higher dividends." But Fortis, the hotels group, seen as an overall winner because its tax charge is expected to fall by around £2m to £3m, might not have much scope to raise its dividends.

Hanson, the Anglo-US conglomerate, has also been classified as a partial winner. Derek Bonham, the chief executive, believes its tax charge will fall by about £35m. He also believes that the pension funds are strong enough to withstand the changes without necessarily demanding a bigger dividend.

Matters could prove awkward for Hanson if it takes a different line, though. Barclays de Zoete Wedd believes the group's ability to increase dividends is constrained by the low level of cover and the growing cyclical nature of earnings due to the move into natural resources.

The Treasury has gained from this change in the tax system because of the lower tax credit. On the chancellor's own figures, retaining the present offset rate would still produce £1bn of revenue saved by reducing tax credit payments. As the changes stand, many companies face what seemed like a positive move might not achieve its aim.

Roland Rudd

Wall Street

Investors in wonderland

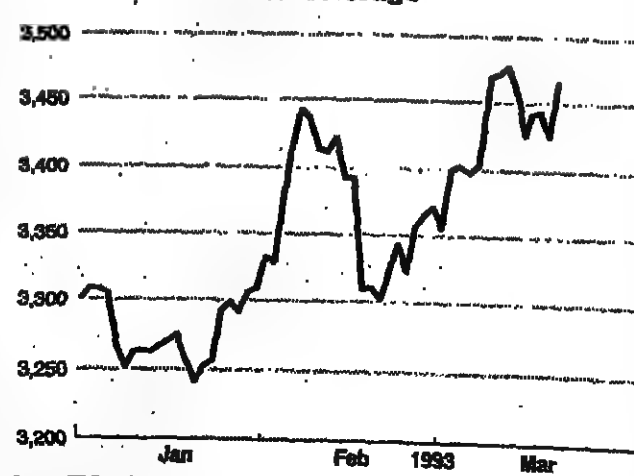
THE behaviour of equity investors in the US is looking ever more paradoxical. Consider the following:

The Dow Jones Industrial Average is bumping along at near record levels, but economists continue to emphasise the fragility of the US economic recovery.

Corporate restructurings - meaning layoffs, asset sales and mergers - are producing improved productivity and profit levels at many US companies, but the buoyant price/earnings ratios of many company stocks seem to have discounted a level of improvement that may not be reached for another 12 to 18 months.

The tax-increasing, deficit-reducing budget legislation presented by the Clinton administration was approved on Thursday by the House of Representatives, as was a \$16bn (£11.2bn) fiscal stimulus package. But the budget could still be watered down in the Senate and in a joint conference between the two chambers of Congress. The recovery of US banks is considered a fait accompli, judging by investor sentiment and share prices, but warnings that the credit crunch is unresolved and that commercial property loans are still a problem are creeping back into the debate. Inflation is not thought to be a serious worry in either

Dow Jones Industrial Average



Source: FT Graphics

the bond or equity markets, but there is a lurking fear of prospective deflation resulting from the Clinton plan.

Taken as a group, Wall Street investors appear to be undecided about which way to turn. Almost inevitably the lemmings who constitute the majority are allowing themselves to be pushed and shoved by short-term events and indicators.

For example, Thursday's cut in German interest rates triggered a healthy 36.90 point jump in the Dow Jones index. But the short-termers may not recall the underlying rationale for the cut - the deepening recession in the national economy which serves as

Europe's economic engine. Wall Street was delighted at the Bundesbank's rate cut, but most investors forgot that many US exporters and multinational companies will find it hard for some time to sell their products into the weakened European market.

In the domestic US economy there are other examples of enigmatic investor sentiment. The US car industry is working hard to restructure itself, but all the strong medicine being taken in Detroit seemed to be eclipsed by the angst this week of one man at one US car company - General Motors.

The reason was the melodramatic cliffhanger

scripted by José Ignacio Lopez de Arriortua, the GM man with the allegedly magic touch. Lopez's indecision over whether to stay at GM or to take a top job at Volkswagen (he eventually chose the latter) looked at times like a cross between a Peter Sellers farce and a Samuel Beckett existentialist mope.

The question it should raise for investors is to what extent GM's recovery plan depended on the efforts of one Spanish manager who was only brought to Detroit ten months ago.

As for the pharmaceuticals industry, investors can bite their nails along with executives from that sector, who are alternating between states of panic and anger as they gaze at the price-celling and other policy options that may be part of Hillary Rodham Clinton's health care reform package, to be unveiled in early May.

The battering taken by several drug stocks implies that what may be good for US society (cheaper health care available to a larger number of poorer people) could be painful for a number of drugs manufacturers.

Alan Friedman

Monday	3442.41	+ 14.39
Tuesday	3442.96	+ 0.54
Wednesday	3458.74	+ 15.78
Thursday	3463.84	+ 35.90

FINANCE AND THE FAMILY

THE BUDGET AND YOU

Dividends

Tax cut will hit your income

IT MAY SEEM confusing that a cut in the tax rate on dividends is bad news for private investors. But it is.

Both non-taxpayers and higher rate taxpayers look set to suffer a cut in dividend income of about 6.25 per cent as a result of the change. Someone who previously had net dividend income of £10,000 will see that fall to £9,375.

However, there is some good news. Basic rate taxpayers will be unaffected. And corporate dividend policy may change to cushion shareholders from part of their loss, although this will be difficult in the light of low dividend cover ratios.

The change is complicated in effect because companies do not pay a "gross dividend" — they pay a net dividend and a further payment (the equivalent of basic rate tax) to the Inland Revenue. This is a downpayment on the company's tax bill, hence the name Advance Corporation Tax. It is a convenient way for the government to use the corporate sector as a tax collector.

Under the old system, if the company declared a net dividend of 7.5p, the investor would receive the dividend payment, together with a tax credit of 2.5p (see table).

Non-taxpayers (such as pension funds) could use the tax credit to reclaim the tax paid from the Inland Revenue. In effect, they received a gross dividend of 10p.

Basic rate taxpayers needed to do nothing; the net dividend



reflected the impact of 35 per cent tax. They thus had no further tax liability, nor any ability to reclaim tax. Higher rate taxpayers were assessed as having received a gross dividend of 10p. At the 40 per cent rate, they were liable to pay 4p in tax. Thus in addition to the 2.5p already deducted, they had to pay an additional 1.5p, leaving them with 6p.

Under the new system, the tax rate on dividends is 20 per cent. If companies pay the same net dividend of 7.5p, non-taxpayers will get a tax credit of just 1.875p. This makes the gross dividend 9.375p (9.375p, less 20 per cent, is 7.5p). The effect is to cut gross dividends by 6.25 per cent (from 10p to 9.375p), hitting pension funds and Pep holders.

Basic rate taxpayers will still get the net dividend of 7.5p and will face no further charge. So the effect on them is neutral.

But higher rate taxpayers will face an additional charge — the difference between 20 per cent and 40 per cent tax. So instead of a further 1.5p payment (under the old system), they will have to pay 1.875p (20 per cent of 9.375p). Their net income will be 5.625p, instead of 6p under the old system, a decline of 6.25 per cent.

This may cause some investors to increase that part of their portfolios they hold in bonds, rather than in equities. This may have been part of the chancellor's intention since he has a lot of gifts to sell.

However, there may be some unintended consequences of the chancellor's move. The income shares of split capital investment trusts became less attractive after the change.

As Nigel Sidebottom, associate director of brokers Gerrard Vivian Gray, points out: "Split level income shares — particu-

larly those with very high flat yields and annuity characteristics — provide virtually all their return to shareholders in the form of income. Pension funds holding these shares will as a result suffer significant reduction in returns.

"The gross redemption yield will in some cases fall by over 3 per cent as a result of the change," adds Sidebottom. "The market reacted quickly to the change with most income shares being marked 2 to 3 per cent lower first thing on the morning after the Budget."

The full implications of the change may take some time to appear, as companies review their dividend policy. But there are two consequences: equities have become slightly less appealing; and within the field of equity investment, capital gain has become more attractive, relative to income.

Peps will also suffer

PERSONAL equity plans have become less attractive relative to other non-equity investments as a result of the tax change.

As the table shows, Pep investors should suffer a drop of around 6.25 per cent in income, unless companies increase their dividends to compensate investors for the change. But the result will be to reduce the return on a Pep which currently yields 5 per cent to 4.69 per cent.

This particularly reduces the relative attractions of Peps for basic rate taxpayers, since their dividend income outside a Pep will not be affected. The benefits of a Pep for many basic rate taxpayers

were already marginal for those plans with extra charges. If a fund yields 4 per cent gross the tax saving to a basic rate payer in 1992-93 was 1 per cent, or £20 on a £2,000 investment. Some Pep managers make an initial charge of 1 per cent plus VAT, more than wiping out the tax saving.

The change in the tax system would reduce the saving on such a fund to £45, and may tip some plans below the break-even point for basic rate investors. They should concentrate on Peps with no extra charges. This is true of nearly all unit trust Peps; it remains the case that if you are prepared to buy the unit trust, then you might as well buy it in Pep form. However, remember that most unit trusts have an initial capital charge of £300 on a £5,000 investment. The lower this charge the better.

Higher rate taxpayers will also see a fall in the gross yield on Peps. However, since their dividend income outside a Pep will drop by 6.25 per cent, their tax saving will remain at 40 per cent. Furthermore, they are more likely to benefit from the capital gains tax exemption Peps provide.

Nevertheless, Peps will still be less attractive, compared with other investments such as gilts, than they were before. Pep managers spoken to this week dismissed the effect as "marginal"; they maintain a Pep is still attractive to both basic and top rate payers.

Certainly, equities remain the best long term investment and provided the investor is able to hold on to a Pep for 10 years or so, the advantages should still be clear. Those who should reconsider a Pep are basic rate payers in funds with additional charges.

Investors who are in low-charging plans should have no reason to give up their plans; and a Pep still remains an excellent way of saving to repay a mortgage.

In the short term, the change may increase the popularity of bond-equity plans. Since bonds are unaffected by the tax change, yields on such Peps will be less affected than pure equity plans and may even gain. Fidelity says the yield on its mixed Pep will rise.

Philip Coggan

Income Tax Self Assessment

The DIY tax bill

DECIDING for yourself how much tax you have to pay sounds like a dream, but some 8m people who fill in a tax return will, for the 1996/97 tax year, have the choice of assessing themselves for tax. Half are self-employed, the rest are pensioners and employees who receive tax return forms. Employees under the pay-as-you-earn system and deduction at source arrangements will not be affected.

Under the proposed system, those who fill in a tax return would make their own assessment by working out how much tax is due on their income. At present they declare their income and expenditure and leave it to the Inland Revenue to calculate tax liability.

"The new system will do away with the present rigmarole of raising assessments, appeals, agreeing payments and adjustments to the final payment, which is unproductive," said Maurice Parry-Wingfield, tax partner at Touche Ross. "If more taxpayers understand and are more involved in their tax affairs, that can only be welcome."

Self-assessment will be made possible because the current system will be simplified. The complex "preceding year" basis of income tax for the self-employed will be changed; if all goes to plan, all income tax will be based on a common current year basis from 1996/97. This means that tax from self-employment will be paid in the year in which it is earned, rather than a year later. One year will drop out of the tax calculations for the self-employed and transitional provisions will not be taxed twice.

Another change is the decision to issue the self-employed with one tax statement and one tax bill for all income regardless of whether it comes

from employment, freelance earnings or investment. The taxpayer will have to deal with only one tax office. The Inland Revenue says the changes are intended to make the process of tax returns and payments "simpler and fairer."

But self-assessment has disadvantages. Those who choose it will have their tax payments brought forward since assessment will be on a current year basis and their payments to the Revenue have to be included with their completed tax assessment form.

"There is also the issue of 'random audits' which the revenue says is necessary to deter those hoping to pay less tax as a result of self-assessment. This would give the Inland Revenue an unrestricted right to check accounts, without giving a reason, within one year of them being filed. At present, the Inland Revenue has to tell a taxpayer why it wants to check the account."

"Most of the benefits are for the Inland Revenue and their administration," said John Battersby, tax partner at KPMG Peat Marwick. "They will have the prospect of money coming in more quickly as a result. Random audits mean that for a whole year after you have filed you do not not know whether your assessment will be accepted and if the Revenue challenges you, you will not know the reason."

"I do not think it will be that wonderful," said Martin Ben-Nathan, of chartered accountants Casson & Beckman. "You will have to work out your own tax and if you get it wrong, there will be penalties. It might be better to get the Inland Revenue to do the work."

Consultation is continuing between the Revenue, employers and representative bodies.

Scheherazade Daneshkhlu

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THE BUDGET AND YOU

The winners and the losers

Kevin Paterson considers the new tax regime's impact

IS YOUR company car worthwhile? Until recently, most company car drivers, whether workers or owners, received a clearly tax-efficient benefit if the car was available for private use.

However, over the last six years the benefit has been eroded as company car tax charges have increased by more than 300 per cent compared with inflation of 40 per cent. In addition, Chancellor Norman Lamont has announced a new tax regime based on the maker's recommended retail price - the list price - which will hit many company car drivers hard. Some will suffer further tax increases of more than 50 per cent from April 6 1994, although many will benefit to a lesser extent.

The move to list prices is also expected to have a big impact on car prices. The practice of heavy discounting to large fleet users and fleet companies should lessen and list prices should fall. This will benefit the private purchaser, but will cause a rise in company car costs.

The new regime, expected to raise an extra £100m per year compared with 1992/93, is based on a simple fixed percentage - 35 per cent - of the list price of the car when it was first registered (plus extras).

Business users will receive discounts of two-thirds and one-third for heavy use (18,000 miles or more) and normal use (more than 2,500 miles) respectively. Older cars, four years old or more, will receive an additional discount of one-third.

Thus, if you were a company car driver of the soon-to-be-launched Ford Mondeo 1.8 GLX 5dr - noted 1993 Car of the Year by What Car? magazine - with a list price expected to be £14,800, doing 1,000 business miles, your taxable benefit in 1994 would be £5,110 (£14,800 x 35 per cent). For a 25 per cent taxpayer, this would cost £1,278 per month. Under the prevailing system, the tax charge would be £83 per month - an increase of 14 per cent.

If the driver covered 10,000 business miles, both figures would be reduced by one-third to £1,71 and £83 respectively.

Table 1 shows how to calculate whether you will gain under the new rules. First, identify which of the five brackets your car falls into under the old system, based on its cost when new and its cylinder capacity. Then compare your car's actual list price to the breakeven list price shown in the first column. If your car's list price is greater than the breakeven figure, you are a loser; if it is less, you are a winner. For example, all drivers of 9-litre cars costing less than £19,250 will suffer if the list price of their car is greater than £12,814.

Table 2 gives examples of typical winners and losers. In general, the losers are those drivers who chose cars at the top of the old bands.

Deciding whether you are a winner or loser does not however necessarily resolve the question of whether your com-

pany car is still worthwhile. All the new regime has done is to reallocate the tax charges on a different, usually fairer, basis.

However, because of the retention of the 2,500 and 18,000 business mileage bands, the benefit continues to be governed by business use, rather than private use. There is little to support these arbitrary business use figures.

Also, the 35 per cent tax factor applied to list price is too crude a method of establishing a car's true annual cost. The true cost will be made up principally of depreciation, finance costs, maintenance and running costs and insurance (except fuel) together with the effect of taxes - income tax, corporation tax, VAT and national insurance.

It appears that the new system has been pitched at too high a level and, in general, the new regime will over-tax company car drivers, both business users and perk drivers. A switch to cash will therefore be encouraged under the new rules.

Surprisingly perhaps, those drivers with high business mileage (30,000 plus) may suffer most under the new regime as their business use discount will be limited to two-thirds. However, for work car drivers, tax efficiency is not usually a big consideration, other commercial factors weighing far more heavily.

For perk car drivers (less than 2,500 miles), the tax factors carry their due weight and we can expect many more situations where it will be beneficial to switch to cash. However, such drivers should also consider non-tax factors.

A car is probably the second largest purchase an employee would make, and the fact that all costs are usually borne by the employer, come what may, is a significant advantage.

Companies also usually have access to greater discounts and cheaper funding and can also recover VAT on maintenance costs. Thus, even if a company car is not tax efficient, the relative cost savings available through sourcing a car through the company may be enough to make the provision of a company car cost effective, in spite of its tax inefficiency.

On the other hand, the employee may be willing to downgrade or buy a used car. In many cases, the tax considerations will outweigh other factors. In other cases, the employee will wish to stick with the car in spite of its cost. He may also wish to consider employee lease purchase plans. The disadvantage of such schemes is their cost, because of increased credit risk.

The cash or car decision is not easy. One thing is certain, however, and that is that considerably more drivers will benefit from a switch to cash, and employers may be able to make significant cost savings in the process. We can also expect to see a growth in innovative schemes designed to pass on tax savings to both employees and employers.

Kevin Paterson is a tax partner in the London office of accountants Ernst & Young.

Company Cars

TABLE 1: BREAK-EVEN LIST PRICES

Bandwidth	Break-even list price (£)	2,500 miles or less	Annual taxable benefit (£)	18,000 miles +
Less than £19,250				
Engine size				
1400 cc or less	9,900	3,485	2,310	1,155
1401 to 2000 cc	12,814	4,485	2,990	1,495
Over 2000 cc	20,571	7,200	4,800	2,400
£19,251 to £29,000	26,614	9,315	6,210	3,105
More than £29,000	43,029	15,060	10,040	5,020

TABLE 2: WINNERS AND LOSERS

List price (£)	reduction in tax (per cent)	List price (£)	increase in tax (per cent)		
WINNERS		LOSERS			
Granada Scorpio 24v	29,135	32	Mercedes 190E 2.0	18,245	50
Nissan Micra 1.0 LX	7,275	26	Audi 100 2.0E Estate	19,170	50
Astra 1.7D GLS	10,835	17	Ford Granada 2.0 LX	19,195	49
Audi 100 Td	23,211	13	Vauxhall Carlton 2.0i CDX	18,875	47
Range Rover LSE	38,393	11	Volvo 850 GLT 2.0	17,995	40
Land Rover Discovery TDI 5dr	18,950	8	BMW 318i	18,100	26
Lexus LS400	39,999	7	BMW 750i	53,250	24
Rover 414 SL	12,350	4	Rover 214 SLJ	11,425	15
Renault 21 STS Savanna	12,285	4	Ford Mondeo 1.8i GLX	14,600	14
BMW 525X	25,900	3	TVR Griffith	27,495	3
Jaguar XJ6 3.2	26,200	2	Pugeot 405 BR 1.8	13,085	2
Cavalier 1.8i GLS	12,520	2	Citroen ZX Advantage 1.4	9,995	1

The above figures have been calculated assuming an average 10,000 miles per year on a company car.

Insurance Market

Gain and loss for Names

ALTHOUGH Lloyd's of London has responded enthusiastically to the tax measures for the insurance market's hard-hit Names, the benefits are far from unalloyed.

The measures do nothing to help Names already hit by heavy losses. And while Names' advisers said the new reserving arrangements were more generous than they had anticipated, others were less enthusiastic, suggesting that a second measure - affecting the tax treatment of capital appreciation - will affect many Names adversely.

The most important measure is a new, more generous tax deductible reserve to meet future losses. This replaces the current special reserve fund, which allows Names to set aside up to £7,000 each year against higher rate tax. The level of the reserve has been unchanged since 1955.

According to the new arrangements for the 1992 underwriting year, a Name will be able to transfer up to 50 per cent of profits to the new reserve each year, provided the value of the funds in the reserve does not exceed 50 per cent of the Name's overall premium income limit.

Amounts withdrawn will be made to fund losses or cash calls; withdrawals that are not

used to meet losses will attract tax. The change "should allow Names to plan their business. The current system does not really allow them to 'set aside' an extra bit just in case", said John Reed, insurance tax specialist with Ernst & Young.

Robert Saunders, of Smith & Williamson, the private bank, said another feature of the new arrangements - that income and gains arising on assets in the reserve will be free of income tax and capital gains tax - was especially attractive to Names. "This is generous. It makes a lot of difference to prospects at Lloyd's."

But Charles Sturge, co-editor of the Chatet guides which analyse syndicate performance at Lloyd's, said the change did nothing to help Names hit by losses between 1988 and 1991. "It is no big deal because most Names are likely to have underwriting losses carried forward from previous years, as well as the constant drip of losses from the 1992 year

onwards." Names would have to pay profit commission to their agents on money invested into the new reserves.

Sturge is particularly critical of a second change. From 1994, the Inland Revenue will treat capital gains earned from appreciation of Names' premium trust funds (the funds into which premium income is paid) as income rather than capital. Present arrangements are beneficial to Names because capital gains are usually converted into tax losses by indexation allowances. These "tax losses" can be offset against capital gains a Name might make outside Lloyd's.

Sturge says the indexation allowance in an average year is worth about 3 per cent of a Name's premium income limit, or £30,000 for a Name underwriting £1m. "The average Name will be worse off as a result of this Budget."

Richard Lapper



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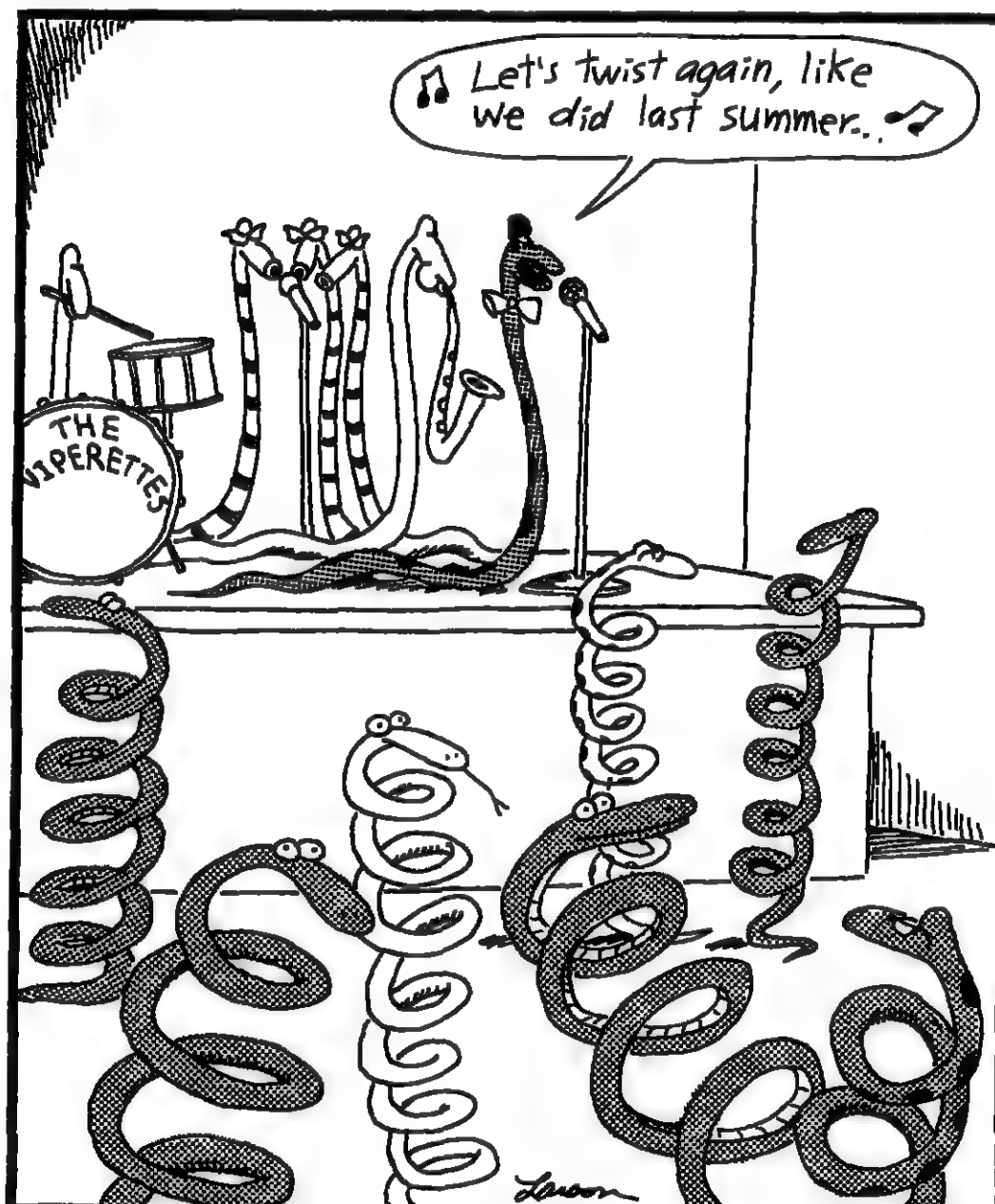
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FINANCE AND THE FAMILY

THE BUDGET AND YOU

The impact on families

A spanner in the works

THE CHANCELLOR'S Budget proposals were so complex that they could have widely different effects on different families, depending on their investments and their employment status. So, the *Weekend FT* asked Michael Bishopp and Clive Mackintosh, of Price Waterhouse, to invent three hypothetical families to analyse how a cross-section of readers would be affected.

The three are: Mr and Mrs Wrench, a self-employed plumber and wife; Mr and Ms Suburban, a relatively prosperous unmarried couple with children; and Mr and Mrs Executive, a well-off couple whose children have left home.



Mr & Mrs Wrench. He earns £20,000 from his plumbing business but his wife has no income. They have a £40,000 mortgage and own two cars.

In the 1993-94 tax year, he will gain £25 in income tax because of the widening of the 20 per cent band to the first £2,500 of taxable income.

But they will spend an extra £10 a year on excise duties on alcohol and tobacco, and will face a 5 per cent rise - £145 a year - in motoring costs. The net effect is a loss of £125.

Many of the chancellor's tax increases are postponed until 1994-95. From that date, the Wrenches will suffer from the restriction of the married couple's allowance to the 30 per cent band - this will cost them £96. The 1 per cent rise in Class 4 National Insurance contributions will add another

£139 to their tax bill. The restriction of MIRAS to the 20 per cent band will also cost the couple £120 a year. Add an extra £72 of fuel costs to reflect the 8 per cent VAT band of domestic fuel and power, and a further £75 in motoring expenses.

Even though they will gain a further £25 from the continued widening of the 20 per cent band, the Wrenches will be a further £575 worse off than they were in 1992-93.

He will qualify for the option of self-assessment in 1996-97 (see page 110), but is uncertain about the administrative burden this will involve.

Mr & Ms Suburban. Each earns £30,000. He travels 5,000 business miles in his company car, which is a two-litre BMW320i with a list price of £18,500 (fuel is not provided). She has a private car.

They have a joint £80,000 mortgage on a house bought after 1988, so they receive tax relief of only £30,000. But, because of his job, they are about to buy a new house in a higher-cost area and his employer is set to pay a relocation subsidy of £13,440.

All this means the Budget has hit the Suburbans very hard: in particular, they suffer from the change in tax treatment of relocation costs. The chancellor made two adjustments in this area. Previously, the employer could give a tax-free allowance for moving to a higher-cost area, plus covering the actual costs of the move. Now, the relocation allowance is taxable.

Mr & Mrs Executive. He earns £100,000 a year and she gets £30,000. He has a Rover as a company car and does 3,000 business miles, with fuel costs provided. They have £1,000 of dividend income outside a PEP and a further £1,300 inside.

One Budget change which affects the Executives is the loss of tax relief on BES loan-backed schemes. This saved him £5,600 in tax in 1992-93.

The dividend income of this couple is also affected by the chancellor's alterations to advance corporation tax. As the Price Waterhouse figures show, this higher-rate

tax-paying couple sees a drop in its PEP income because of the change. The change does not improve the tax benefits of a PEP for higher-rate payers.

All the other tax changes mentioned above hit the Executives, particularly the higher levies on company cars. His car benefit will increase

from £8,625 in 1992-93 to £9,450 by 1994-95, an effective cost of £330 at 40 per cent tax.

Excluding the opportunity cost of the BES, the couple is £799 worse off in 1993-94, and £1,838 worse off in 1994-95, compared with this tax year.

Philip Coggan

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The FT proposes to publish this survey on April 21 1993. Should you be interested in acquiring more information about this survey or wish to advertise, please contact:

Daisy Vennart on 071-873 3146 or Melaine Miles on 071-873 3308. Fax: 071-873 3064.

FT SURVEYS

Capital Taxes

No change to threshold

ONE OF John Major's most inspiring visions faded in the Budget. At the Conservative conference in 1991, he told delegates that he wanted to see wealth "cascading down the generations". Lobby journalists were given to understand that this would mean reform, or even abolition, of inheritance tax.

As it transpired, last year's budget merely increased the threshold for the value of an estate before IHT becomes payable by slightly more than the rate of inflation - from £140,000 to £150,000. That is where the threshold will stay this year. Inflation is low, while prices of the assets which form the bulk of most estates - houses - have fallen over the last year, so heirs have little to complain about. But it is not the sweeping reform for which some had hoped.

There will similarly be no indexation for the CGT threshold. You are only allowed to realise gains of £5,800, over and above inflation, before CGT becomes payable. That remains generous, in spite of the equity market recovery in the last quarter of 1992, and fewer than 100,000 investors are liable to pay the tax in 1992-93.

John Authers

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Married allowance Higher rate band hit

MARRIED higher-rate taxpayers under 65 will be £294 a year worse off because of a Budget change to the married couple's allowance. The measure takes effect from April next year.

The married couple's allowance, like most other allowances, will be frozen in

FINANCE AND THE FAMILY

THE BUDGET AND YOU

Pensions

Alarm over freeze on earnings cap

Industry sees it as the 'thin end of the wedge'

IN A THROWAWAY line during his Budget speech, Chancellor Norman Lamont announced casually that the earnings cap on pensionable income would be frozen next year, a tribute to the government's efforts in subduing inflation.

No sooner were the words out of his mouth, however, than the pensions industry sounded the alarm.

"This is potentially a pernicious trend," said Tina Norris, of actuarial consultant Noble Lowndes. "The industry had originally wanted the cap to rise in line with earnings. Instead, it is rising in line with prices, which do not increase as quickly."

The fact that it has been frozen for a year has significant ramifications, both for occupational and personal pension-holders. The cap is critical because it is the ceiling beyond which earnings cannot count for pensions purposes and still attract tax relief on contributions.

For most people, the present 1992-93 fiscal year cap of £75,000 sounds like a sufficiently healthy salary; and the anticipated £77,400 salary, which would have come into effect in the 1993-94 tax year had the freeze not been imposed, seems healthier still.

Although those earning close to the national average may well wonder why those on such handsome pay even deserve tax incentives to help them make pension provision.

"It's the fat-cat syndrome," said the finance director at one of the UK's largest pension schemes. "For most of the country, it doesn't matter.

With that comment in mind, it is not surprising that complaints about the earnings cap have come mostly from high-earning executives and those who organise schemes on their behalf.

But Ron Amy, pension and benefits manager at Grand Metropolitan and chairman-elect of the National Association of Pension Funds, points out that a dangerous trend is underway. "It's the thin end of the wedge," he said.

When the earnings cap was set originally, the ceiling was £60,000. Through retail price inflation, it has risen steadily over the past decade. But salaries have, historically, risen 1.5 to two percentage points faster each year than prices.

As a result, what is considered a very generous salary now might not be so in 20 or 30 years when many pension scheme members are ready to retire. The cap could soon capture people on relatively modest incomes, Amy said.

He added: "Labour unions are starting to notice that a relatively young guy in his 30s now could well fall outside the cap by the time he retires."

That is not to say that well-paid people now are denied pension provision - expressed typically as a percentage of final salary - for income earned above the cap. They are simply not entitled to tax relief



on contributions towards it.

As a result, employers have set up so-called unapproved schemes. These do not have approval from the Inland Revenue and are, typically, unfunded.

This means that no contributions are made into a pool: employers simply promise to meet pension costs above the cap out of current earnings. "These offer a lot less security than funded schemes," Amy notes.

But pension experts point out the irony of the government's desire to cut tax incentives for pension provision at a time when it is looking at ways

to encourage people to make greater provision for their own retirement. The cap affects personal pension-holders as well as occupational schemes.

Personal pension-holders may earn tax relief on contributions on a sliding scale up to the cap, beginning at 17 per cent of salary for a person in his 20s and moving to 40 per cent for someone aged 61 and over.

While only a small percentage of the population is likely to be able to devote 40 per cent of salary to pension savings, the ceiling could act as a deterrent - say, to a self-employed individual who had neglected to make pension provision early on in his career.

Norma Cohen

CGT Relief

Revenue's threat on non-approved plans

THE PROSPECT of significant tax shelters for executives acquiring shares in unquoted companies is offered by the Budget. But companies granting share options without Inland Revenue approval face a new fiscal threat.

There is a long-established "retirement" relief from capital gains tax for directors who sell shares in their family trading companies after the age of 55. The first £150,000 of any gain is exempt, as is half the next £450,000, although the exemption is restricted if the shares have been held for under 10 years.

Until now, the only people eligible have been full-time company directors owning at least 25 per cent of their company's shares, or owning 5 per cent where other family members control the company. The chancellor proposes to replace this by a single individual 5 per cent test, and to allow employees as well as directors to qualify. Those fortunate enough to have such a significant stake will now have the chance to supplement their retirement package by cashing in their shares with little or no tax to pay.

Young Turks with no thoughts of retirement were not forgotten. Although Lamont said his new CGT roll-over relief related "specifically to entrepreneurs who have built up successful businesses," it has a wider scope. As with retirement relief, a 5 per cent interest will suffice, and non-directors will qualify if they have been employed in a managerial or technical capacity.

The relief will be available to any employee satisfying these conditions who sells shares in an unquoted trading company and, within three years, invests the proceeds in a stake of at least 5 per cent in another unquoted trading company. Any CGT liability will be deferred until the taxpayer no longer has a qualifying holding. An acrobatic employee could, therefore, aspire to a series of roll-overs culminating in an ultimate sale with the benefit of retirement relief.

This virtuous tax-saving performance will be ruined, however, if the employee acquires his shares via a non-approved share scheme: the exercise of a non-approved option triggers an income tax liability. The new reliefs provide protection only against CGT. An executive who is promised a 5 per cent option should urge his employer to set up a Revenue-approved scheme which will be

the only way of keeping his gain within the CGT regime. Those companies who may yet be tempted by the flexibility of an unregulated scheme had another warning shot fired across their bows on Tuesday. The Revenue issued a statement on the arcane subject of whether the grant of options should create a tax liability for the granting company.

Any analysis of an option grant focuses typically on the tax implications for the grantee. In strict theory, it is clear that granting the option is a CGT disposal and the company could be taxable on the price actually paid by the employee - usually a nominal £1 - but on the true value of the option.

Until now, the Revenue has tended to turn a blind eye to this issue. Its Budget-day announcement looks like good news in that it restricts the tax charge to the amount received. This is a strong hint that, from now on, the taxman will adopt a tougher stance towards non-approved arrangements.

David Cohen is a partner in the City law firm of Paterson & Co.

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Charitable Giving

Now it's easier to be generous

IT WAS A generous Budget for the generous, and giving to charity is now more tax-efficient than ever. Adjustments were made to two schemes:

■ **Gift Aid** This allows tax relief for one-off big donations. The minimum amount which can be donated under the scheme and still qualify for tax relief has been lowered from £400 to £250, having dropped last year from £900 to £400.

Under the scheme, a gift of at least this size is treated as net of basic rate tax. Thus, for any donation of £250, the charity will receive £333.33 once the Revenue's tax rebate is added on.

Those who pay top-rate tax

are entitled to claim back the difference between top and basic rate (15 per cent), which comes to £50. So, it is possible to give £333 to charity for a net outlay of £280. One item to note arising from this reform is that there is now no point in a top-rate taxpayer making a donation of £200 or more without going through the Gift Aid formalities.

■ **Give As You Earn** GAYE, organised by employers, involves donations made through monthly automatic deductions from your pay cheque. These deductions are made from gross pay, rather than net, which makes the scheme very tax-efficient.

The maximum amount which can be deducted per month has been increased

from £50 to £75. That means that basic-rate taxpayers donating the maximum pay only £56.25, while top rate-payers part with only £45.

Payroll donations can be made to more than one charity, and the Charities Aid Foundation will be contacting all GAYE donors to explain how they can take advantage of the new maximum.

Unfortunately, according to the Charities Tax Reform Group, there is now more need to be generous to charity. The group said the charitable sector would be "significantly worse off," one reason being the cost of imposing VAT on fuel and power.

John Authers

Taxman's silence

MY WIFE and I were the sole owners of a small private company. We chose to liquidate it, with the approval of the Inland Revenue, from January 4 1991. We ceased to trade and began to liquidate the assets for distribution. Some of these were transferred into our names, including a freehold property.

The inspector of taxes called in the district valuer for his opinion on the property and a figure was agreed in spring last year. Overall, there is a capital gain liability.

When we sent in our tax returns in June 1992, we made the following statement: "We are expecting to receive a capital gains assessment re '90/91. Will you please look into it?" (We named the company and the approximate gain for each of us). To date, we have heard nothing further. Have we done sufficient to bring this to the inspector's notice?

■ It looks as though you and your wife have done all that is required of you in regard to your personal CGT liabilities. But it is not clear whether the company's corporation tax liabilities have been settled, including the company's chargeable gain on the deemed sale of the property etc at market value. If the liquidator is still trying to get the Revenue to agree the company's final corporation tax position, that could explain why you have heard nothing about your personal CGT bills.

Wrong advice on tenancy

I HAVE BEEN told that one should not re-let property under an assured shorthold tenancy to an existing tenant as the right to repossess at the end of the lease will be lost. Is this true?

■ This is incorrect. Section 20 (4) of the Housing Act 1988 provides that when the fixed term of an assured shorthold tenancy comes to an end, a new assured tenancy will remain if the assured shorthold tenancy is granted to the same tenant.

One guarantee covers all

IS THE guarantee covering 90 per cent of the first £40,000 of a married couple's joint account with a building society the total guarantee? Are other investments with the same society included in that total, such as guaranteed equity bonds, Pibs and Tesseas?

Therefore, should one limit one's total investment with each society to £40,000?

■ The protection afforded by the Building Societies Act relates to all the investment of each person in the same society, so that the limit of £40,000 for joint investors would apply to the totality of their investments, whatever their nature.

Tax relief on Pibs

I BOUGHT 10,000 Bradford and Bingley 11% Pibs on December 5. The interest dates are January 20 and July 20. The total price included purchase of 141 days' interest at £449.07 (ie, gross of any tax).

I received my interest payment on January 20: £435.94 (net of 25 per cent tax). I might have to pay higher-rate

tax on the interest as well. How do I claim tax relief on the £449.07 in the original total purchase price?

■ It can be claimed in your next tax return. Ask your tax office for the pamphlet on the accrued-income scheme: IR68.

Offsetting a loss

OVER the past three years I have made a substantial loss on investment bonds made with a life company, but gains on my own share portfolio. Can one be offset against the other for CGT purposes?

■ We take it that, in your first sentence, you mean that you have surrendered single-premium life policies for less than the premium which you paid in each case. That being so, the answer is no (by virtue of sec-

Q&A

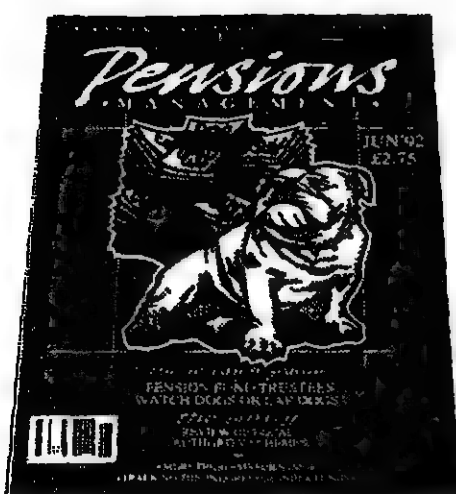
No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

tions 210(2) and 18(2) of the Taxation of Chargeable Gains Act 1992).

Correction

The owner of a second home in England or Scotland will be entitled to a 50 per cent discount from the council tax. Special rules applying in Wales mean that the district council can decide whether to apply a discount of 50 per cent, or 25 per cent, or none at all. An answer published last week about this issue was incorrect.

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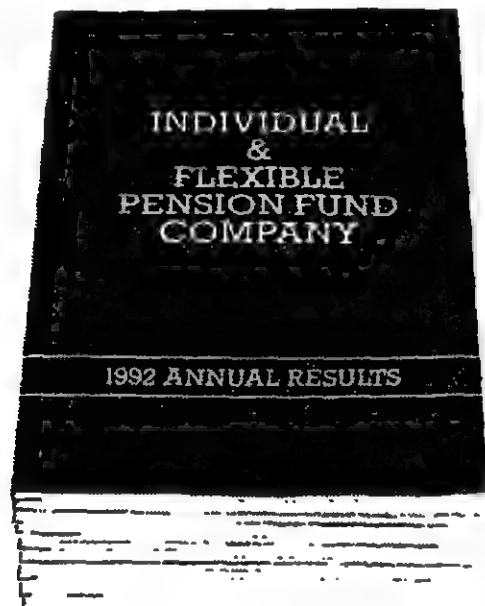


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MINDING YOUR OWN BUSINESS AND PERSPECTIVES

IT IS a rare chancellor who can devise a Budget which satisfies the demands of small businesses. Keeping such a diverse group of business owners happy is a difficult task.

It is, therefore, no small tribute to Norman Lamont that the menu served up on Tuesday drew almost unanimous approval from small business organisations. The one-person start-up, the established growing business and the entrepreneur on the verge of selling up - all were catered for.

In their enthusiasm, they seemed willing to forget that nothing was done to introduce more generous investment allowances, reduce the impact of inheritance tax or to replace the business expansion scheme, to expire in December.

They did get a carefully chosen mix of measures intended to simplify the tax system, reduce red tape and improve the workings of small business programmes. Some scepticism remains as to whether all these objectives will be achieved, but at least the intention is there.

Few subjects raise temperatures among the small business community more than VAT, and the chancellor responded to this. Lamont reduced the qualifying period for bad debt relief from 12 to six months. He also increased the turnover ceiling for cash accounting - the threshold below which businesses do not have to pay VAT until they have received payment from customers - from £50,000 to £350,000. These changes will give business a one-off saving of £150m.

Other VAT moves will allow the business owner to sleep more easily at night. The draconian nature of the penalties which can be imposed by Customs & Excise has been a source of serious concern.

The chancellor has proposed reforming the application of the serious misdeclaration penalty so that it is used only against larger, persistent offenders. He will also allow Customs some discretion. Previously, the penalties were automatic and did not take into account the circumstances of the case.

However, the chancellor was unable to raise the VAT threshold by more than the rate of inflation, to £37,000. Last year, he persuaded the European Commission to allow an increase in excess of inflation.

Deregulation is in favour with ministers and several measures were intended to achieve this. Debates about removing the small firms' audit has continued for more than a decade, but there are signs that action finally will be taken. A discussion paper is to be produced by the department of trade and industry and it seems likely that businesses below the VAT threshold will be left off the audit book.

A desire to deregulate and sim-



Budget savings: Has Lamont freed small businesses to enjoy the fruits of their labours?

The Budget and Small Businesses/Charles Batchelor

Menu which caters for all tastes

It also lies behind plans to allow an self-employed and other taxpayers to calculate their own returns for the Inland Revenue. The aim is to reduce the amount of to-ing and fro-ing between the taxpayer and the taxman but cut out estimated assessments, appeals, postponements and revised assessments.

Under the new system, which will not take effect until the 1996-97 tax year, most tax returns will be accepted by the Revenue - but it will have the right to check them if it has doubts. Taxpayers who are late with their returns or their payments will face extra charges.

Taxpayers will pay tax on the current year rather than on previous years, removing the cash flow advantages. The response from business has been mixed. Some wonder if the self-employed really will feel confident enough to dispense with a tax adviser and com-

pute their own returns. The uniform business rate has imposed a heavy burden on traders, particularly retailers in the south of England, and there have been pleas for an easing of its impact.

The chancellor went some way to meeting these by agreeing to hold the rate of increase at the level of inflation for the second year running. No business will face an increase of more than 3.6 per cent.

The loan guarantee scheme has always been regarded as a poor substitute for the more generous cheap loan packages available to small businesses in Germany but it has provided a lifeline to many small firms which do not meet the banks' definition of a backable proposition.

The easing of the scheme's terms announced by Lamont should make it more attractive, but this will continue to depend on the willingness of the individual bank manager to

put it to use. The present premium of 2% per cent will be cut to 1% per cent for variable loans and only 0.5 per cent for fixed-rate loans. The maximum eligible loan will rise by £100,000 to £250,000, while the proportion covered by the guarantee will rise from 70 to 85 per cent.

The loan guarantee scheme tends to be used by businesses which are expanding but, for entrepreneurs at the other end of the business life cycle, the chancellor also had good news. Many feel locked into their business because of the high level of capital gains tax triggered when they sell. In response to lobbying from the venture capital industry, Lamont has agreed to allow rollover relief so long as the proceeds of selling a business are re-invested in another unquoted company.

"A clever Budget in a difficult economic climate" was the general view of small firms' lobbyists.

As they say in Europe

Italian comic opera and Russian world-weariness

James Morgan on how others view their budget problems

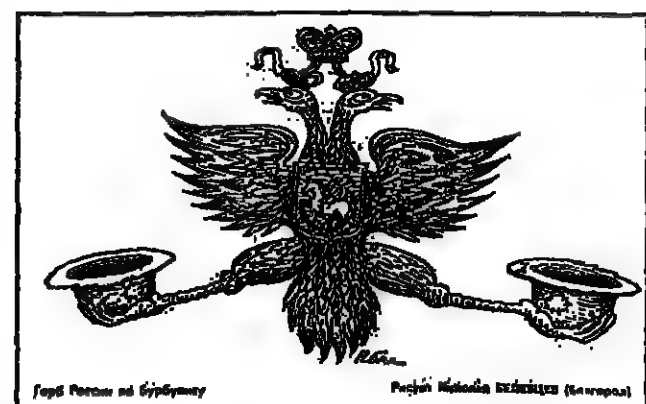
EVERY YEAR in Sicily there is an event which outsiders find, to say the least, unattractive. Tuna fish are driven ashore through a complex system of nets and then bludgeoned to death. It is *la mattanza*, and now the word has been recycled by the Italian press to describe the present, rather attractive, settling of accounts with a corrupt political class.

In Russia the *mattanza* is quite different. There a single figure, widely seen as a symbol of righteousness, is slowly bludgeoned to death by the remnants of a corrupt political class. *Pravda* represents the Remnant Party and has its own point of view, arguing "the conflict had flared up between the president and society" (my italics).

Moscow watchers spend little time on *Pravda* nowadays, far less than when it was boring. Today it combines anti-Yeltsinism with 19th century xenophobic pan-Slavism and Bolshevik nostalgia, and, as a result, offers stimulating and exciting insights. It recently argued that the Americans were plotting to keep Russia out of international arms markets: "They will start promising us 'tips' such as the notorious Sabah, (the western aid package agreed last year) and on this pretext will press the foreign ministry to block impending Russian weapons sales where western corporations have key interests."

Pravda also says that the west is trying to split Russia, so it fabricates lies about "a reforming president against a conservative-communist congress." Next the west will back the imposition of a state of emergency by Boris Yeltsin.

But to return to the original theme - is it the parallels or differences between Russia and Italy that are the more striking? In both, people believe that their country is on the point of breaking up. In both there is, not surprisingly, a widespread conviction that the native way of doing things is far from ideal. On the other hand the Italians take their present difficulties to their hearts, they glory in the parade of public figures through the prisons and courts and revel in the revelations, as it were. No Italian would blame foreigners for what has gone wrong.



In this the new symbol of Russia?

Some Russians, on the other hand, do blame others but seem to take the crisis in their stride: the papers write as if hyper-inflation, the collapse of the state, the break-up of the nation, the impossibility of achieving good government, were the norm. To the Italians, 1993 is opera, grand or comic. To the Russians, it is a bore.

But both at least make headlines in the newspapers of the rest of the continent which in turn react passionately. Thus the *Carthage Daily* in Poland, which would normally object to Russians of the Yeltsin type, sees him as a Christ-figure: "The west contributed to the shower of stones that poured on the Russian president's head."

The Germans sneer heavily at the Italians. But every country in Europe, not just Italy and Russia, is in trouble, yet these two interest newspapers across the continent which are otherwise more than usually insular.

One of those troubled lands, Britain, suffered its annual budget this week and so there was the usual outpouring of words in the local media that no event short of civil war could occasion on the domestic news pages of other lands. The French were struck by two items, one reflected the widening psychological gulf between Britain and the rest, the other the shrinking physical gulf. They pointed out that when the time comes to implement the third stage of European Monetary Union, the British budget deficit will still amount to 6 per

cent of gross domestic output - double the Maastricht Treaty target. This insight was not picked up in Britain because there the Treaty is taken seriously only in parliament, which is a way of saying it is not taken seriously.

Norman Lamont's plan to cut journey times from Dover and Heathrow to central London was the other issue for the French. Their reaction was reassuring - the proposed high-speed rail links were seen as a means of getting to the British capital more quickly. Recent French comment has stressed the desirability of travelling rapidly in the opposite direction.

Less interesting, but far more important, than Lamont's budget was the conclusion of the German Solidarity Pact at the weekend - or Bonnspiel for higher taxes in the west to pay off the *Osties*. This was an event of Europe-wide significance which therefore occupied little space in the British media. But what is striking about all recent budgets, proposed budgets, Solidarity Pacts and whatever is the view that higher taxation provides a solution to current problems. Except in Russia and Italy, in both these countries the forces of common sense and rationality demand spending cuts.

Why is it that the sanity of the 1980s is thought relevant only in those countries which have gone mad?

James Morgan is economics correspondent of the BBC World Service.

Gardening/Robin Lane Fox

Now's the time to chop up a border

BRITAIN'S amazingly warm weather has sent gardeners back to their flowerbeds, looking for damage, checking for early blooms and planning for the season's replacements.

By now, we all have flowers on the primroses; the buds are open on magnolias; and there is an uneasy sense that the world is six weeks ahead of itself. Myself, I have a mass of dead dianthus and some nasty patches in other parts which hate the wet winter, what should be done now to bring borders up to the mark?

The first tip is often forgotten: since wet winters wash goodness out of the soil, you must now put it back. Late March is the time for a general garden fertiliser and, by habit, I usually choose Growmore. Half-hearted gardeners probably shirk this expense because they think the money might be wasted, but I know from experience that it is essential.

Nowadays, there is a great fashion among the uninitiated for concentrated, super-charged fertilisers, of which the most popular seems to be 6-X. These brands have their uses, but users tend to believe they are like oats to a race-horse: the more you feed, the faster the plant will travel. The opposite is true.

If you double the dose, you will do much more harm than good. Concentrated fertilisers really must be applied at the strength set out on the packet. As a general garden dressing, a balanced chemical compound is preferable at this time of the year.

The second tip is topical and, for once, saves money. If you have gaps, begin by dividing good plants which you own already.

The next fortnight is an ideal time for division and the task is extremely simple. Dig up an established clump; put it on a hard surface; decide how many bits you want, remembering how small a piece now is from most nurseries; then, slice straight through a mat of main roots with a sharp blow from a spade.

Plants with a single main root or a wooded main stem are unsuitable candidates for

division: leave lupins or poppies well alone. It is also too late now to split border irises and expect them to flower; delay your attack here until early July. There are plenty of alternatives which you can multiply by almsing straight.

My favourite victims are hardy geraniums, especially the admirable Johnsons Blue; the one exception is the rare aristemon, which seems to take years to recover from this treatment.

I am also pleasantly surprised at the ease with which



herbaceous clematis, especially the handsome blue Wyevale form, will split into willing fragments. Pieces may look woody and miserable, but they soon grow away like mad.

As most plants now cost £2 or more apiece, it pays to strike out with a spade this weekend. Phloxes, day lilies, campanulas, hostas, agapanthus, lychonis, and even the lemon-yellow anemones with its daisy flowers - all are plants which respond well to a short, sharp slice.

Michaelmas daisies, too, are wonderful splitters and one of the best, the pale-blue Aster frikartii, is especially improved by the experience. Always use the outer bits of the clump as they are younger and more vigorous.

These daisies can be as tough as telephone directories to would-be rippers, though. The books suggest that you use two forks driven back to back through the middle of the plant so that they can then be teased outwards, pulling it to pieces. I find this trick is rather hard to carry out and I much prefer to use two spades, driving them into the centre like

tomahawks, one after the other.

The great advantage of splitting is that you pay nothing and can choose your own size of plant. Alternatively, you can buy something new from a garden centre, but you need to be vigilant at this time of the year. From March onwards, growers are potting their smaller stock into bigger containers, filled with peat. Until it has grown away, you might be deceived by the size of the pot and end up with a much smaller plant at a much bigger price, paying for peat rather than roots.

If you do have a genuine choice, it is more economical to buy a big single of anything which you can split. All week, I have been enjoying the dozen double-flowered primroses which I split from a single parent last spring, as soon as I bought it. Individual plants would have been much more expensive and, by now, no better.

Lastly, what do you do where you have a failure in the middle to back of a border and need height quickly? The white-flowered lavender *Barnsley* will certainly grow and fill the space, but it soon luxuriates too much and is too leafy for formal company. Personally, I prefer a trick which you can see in excellent evidence in the terrace borders at Powis Castle.

Buy a tripod of three tall bamboo canes, fixing them together with wire. Wrap some wire netting round this framework and plant one or two clematis on either side of this tall support. If fed properly, these will race away and flower up to a height of 5-6 ft later in the summer.

Some of the best forms, including *Perle d'Azure*, are too vigorous for this position but I have had excellent results from white *Henryi* and the lovely, dark red *Mme Edouard Andre*, both of which seem to be available widely for impulse buyers this month.

If the winter has caught you out, use your ingenuity and try this type of replacement. It might even be an improvement.

ANNOUNCEMENT

For the sale by the Industrial Reconstruction Organisation (IRO) of the shares of the company KERAPINA S.A. The IRO announces a public auction for the highest bid for the sale of 2,000,000 bearer shares of Drm. 100 each and 486,082 bearer shares of Drm. 1,000 each of the company KERAPINA S.A., registered in the Municipality of Kalithea, Attika, in accordance with the decision dated 21.12.92 of the Interministerial Committee for Demineralisation (ICD) and the provisions of articles 5, para. 1b and 6, para. 1b of Law 2000/91.

The shares offered for sale represent 89.96% of the total deposited share capital of the above company.

KERAPINA S.A. was established in 1962 and produces various porcelain sanitary ware. The company's plant is at Kalithea, Corinthia (74 km. from Athens).

The terms set by the I.R.O. for the public auction for the highest bid, in accordance with the present announcement, are as follows:

A. PROCEDURE

1. Interested buyers are invited to receive from the offices of the IRO (234 Syngrou Avenue, Athens, 3rd Floor, I.R.O. Demineralisation Department) the Offering Memorandum in which the relevant data of the company have been summarised. Those who may have already obtained the Memorandum prior to the publication of this Announcement are invited to receive the new, revised and completed Memorandum.

The Memorandum is obtainable from 1900 hrs to 1500 hrs on 23.3.93, 24.3.93 and 25.3.93. Interested parties who wish to obtain the Memorandum after this time will do so at their own risk insofar as the time remaining for them to check the company data and prepare their offer is sufficient before the date on which binding offers must be submitted. The offering Memorandum will be handed to the interested parties themselves, in the case of individuals, and to a legal representative in the case of legal entities or associations, as well as to persons so authorised by a notarial power of attorney or an authorisation document on which the signature has been attested to by a police authority. The I.R.O. reserves the right to deny the Offering Memorandum to persons who do not fulfil the above requirements.

All the data contained in the Offering Memorandum are indicative and stated only at providing information. They are conditional on confirmation by interested parties within the time limit and cannot establish any liability on the part of the I.R.O. as to their accuracy or completeness.

2. Confidentiality Agreement - Draft Agreement - Checking the Company. On receiving the Offering Memorandum, the recipient will be obliged to sign a Confidentiality Agreement with respect to the data it contains. The I.R.O. reserves the right to hand over, also, to each recipient of the Memorandum, a Draft Agreement for the sale of the shares and set the time and procedure for negotiating its terms with each potential buyer before the submission of binding offers. Each potential buyer receiving the Offering Memorandum within the above time limit will be entitled to check the company's data. The time, which will not exceed 2 days, the dates and the remaining checking procedure will be specified by the I.R.O. on the basis of the date of submission of the binding offers, the number of interested parties and the priority in receiving the Offering Memorandum. Potential buyers who will ask for and obtain the Offering Memorandum beyond the time limit and on their own responsibility, will be treated and facilitated in the time left without any discrimination towards them, resulting solely from their own fault in receiving the Memorandum at a late date, being possibly concerned as unequal treatment.

3. Submission of Binding Offers - Unsuccessful. Binding offers must be submitted at the latest by 1200 hrs on Thursday, 24.3.93 at the offices of the I.R.O. at the address mentioned above, in return for receipt. Offers which have not been handed in personally but sent in any other manner (by post, etc) will be considered as having been submitted in time and will be taken into account.

The offers will be accepted on Thursday, 24.3.93 at 1300 hrs at the offices of the I.R.O. The unaccepting may be situated by anyone who has legally submitted a binding offer or by his legally authorised representative as described above. The offers will be unaccepted, checked with regard to formality (letter of guarantee, composition, etc.) will be entered and will be attached to a special report on the unaccepting which will be signed by those present. A copy of this report will be given to each person who has legally submitted an offer. Copies of the offers will not be released until the end of the auction for the highest bid.

4. Evaluation - Adjudication

Offers will be accepted by the I.R.O. and are evaluated at its discretion. The Board of Directors of the I.R.O. will make the final decision as to the acceptance (rejection) of an offer, or its rejection, within two months of its submission, i.e. up to 22nd June 1993. Bids, modifications, improvements etc. of offers up to the final decision of the I.R.O. to accept or reject, and counter-offers are not acceptable and will not be considered.

5. CONTENT OF THE OFFER

Offers must be submitted within a sealed envelope entitled "BINDING OFFER FOR THE PURCHASE OF THE SHARES OF KERAPINA S.A.". They must be written and signed and must not have crossed deletions or insertions which must be considered. Offers submitted in any other manner (e.g. by telegram, telex, fax, etc.) unsigned, or bearing corrections, deletions or insertions will not be considered. The offers must refer to the total of the shares for sale (2,000,000 of 100 drs. each and 486,082 of 1,000 drs. each) and if this is not specifically mentioned or wrongly indicated it will be taken as referring to the total. They will contain a price expressed in drachmas. They will specify the manner of payment and, if payment is to be made of the whole amount or in instalments, will specify the exact dates of payment, without interest or with interest (and in this case at what rate), of each instalment and the guarantee provided for payment of these instalments. It should be noted in this respect that in evaluating such offers, their conversion to current value will be calculated at an annual interest rate of 22% or six-monthly rate of 11% or three-monthly rate of 5.5%. Any terms contained in the offers shall be absolutely clear and concise on pain of giving right to the I.R.O. at its discretion, to go as far as rejecting the offer.

The offer must include data on the identity and activity of the bidder, while a description of a business plan and the bid/ingness thereof, will be duly appreciated.

The duration of the offers must be at least two months (i.e. up to 22.6.93).

6. LETTER OF GUARANTEE

The offer must be accompanied by a letter of guarantee from a bank legally operating in Greece for Drm. 100,000,000. The I.R.O., on delivery of the Offering Memorandum will provide a draft of this letter of guarantee which must be adhered to. Offers unaccompanied by a letter of guarantee, or accompanied by a letter of guarantee which, in the I.R.O.'s opinion is unsatisfactory, will not be considered.

7. OTHER TERMS

1. The present is not a proposal for drawing up an agreement but an invitation to submit an offer.

2. The I.R.O. retains the right to cancel or postpone the auction at its discretion, to supplement or clarify or modify the terms of the present announcement and in general act within the framework of article 199 of the Civil Code and Law 2000/91, bound only by the decisions of the Interministerial Committee for Demineralisation.

3. All the expenses concerning or related to the transfer of the shares and the participation in general and execution of the present procedure shall be borne by the buyer and each of the participants accordingly.

4. The participation of each of the potential buyers in the present auction presupposes the full and unequivocal acceptance of the terms of the present announcement.

5. Any previous relative announcement, invitation or proclamation, etc. is hereby revoked and the only valid terms are those contained in the present announcement.

For any further information or clarification, interested parties can apply to the I.R.O., Demineralisation Department, Tel. 30-1.952.5540-9.

Athens, 20th March 1993

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HOW TO SPEND IT AND PERSPECTIVES

Designer gear by mail order

Lucia van der Post on quality catalogue clothes

CONVENTIONAL wisdom in mail-order land has it that while it is relatively easy to sell shirts and cotton chinos, tracksuits and T-shirts through the post, selling high-priced designer ranges is another thing altogether. Patricia and Andrew Davidson thought otherwise. They had a hunch - they could not afford a catalogue and market research, so they had to rely on instinct - that there were many women who either hated shopping or did not have the time who longed for easy ways of buying quality clothes. Women living far from decent shops, women with busy careers and those who live abroad were all seen as potential mail-order customers.

never be mass-market, but as niches go it seems to be doing well. Launched last week, some 3,500 catalogues have been sent out and orders are pouring in. At least three people have ordered more than £1,000 worth of clothing each. Do not expect to buy more cheaply than you would in the shops - "the point is not price but accessibility," says Andrew Davidson. Quality and ease of shopping are what it is all about. Paul Costello's pure silk "toile du jour" tea dress, for instance, is a more grown-up version of all the flower-sprigged numbers waiting into the shops. At £195 it seems good value, if not cheap. His dark navy fine wool double-breasted blazer is also



Caroline Charles' pure silk outfit in black and ivory

With nothing but Andrew's business expertise, Patricia's eye for stylish clothes and a modest amount of capital they have now launched a beautifully photographed catalogue. Its most distinctive quality perhaps is that it is small.

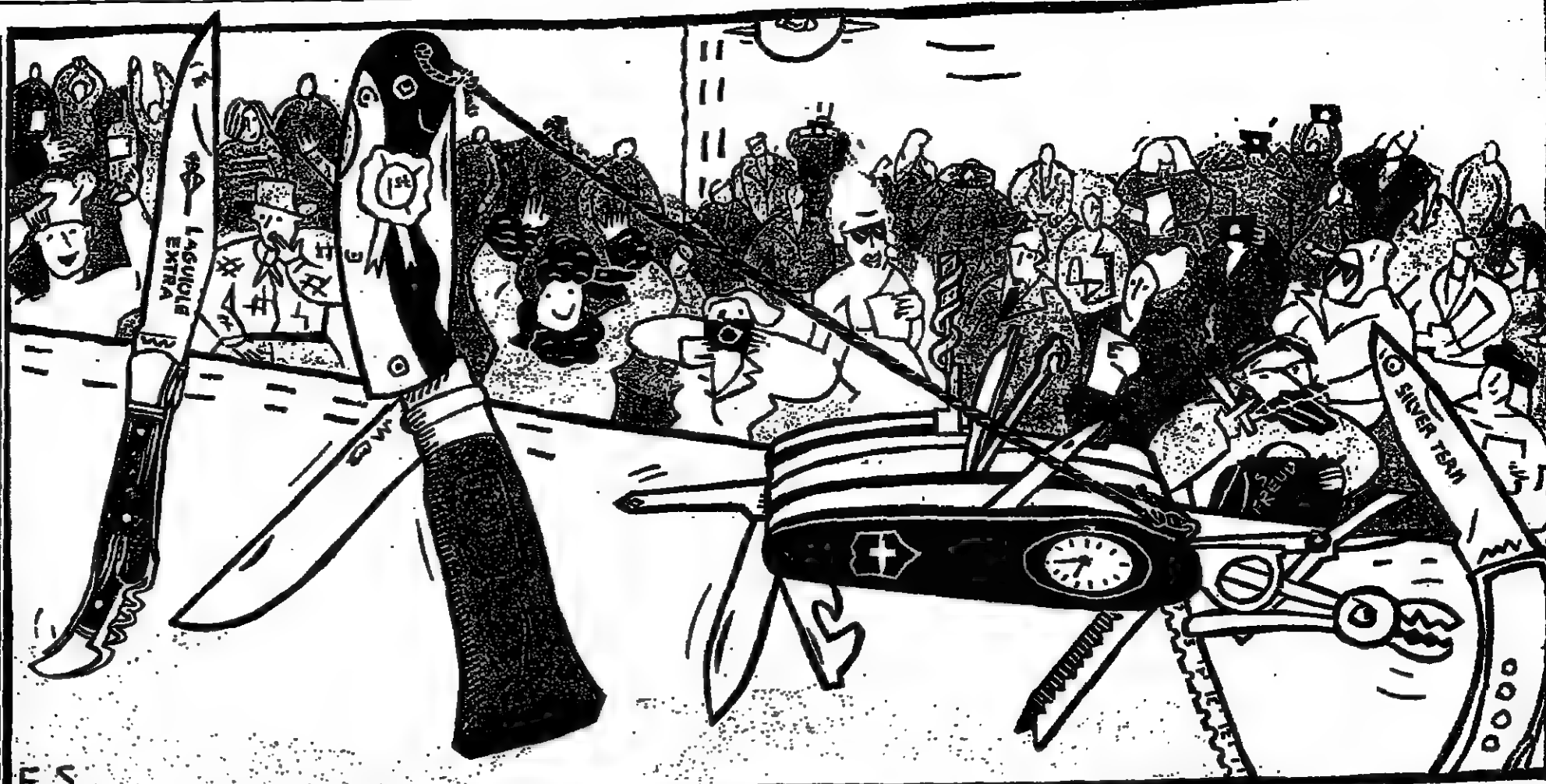
The collection is centred round three main designers - Caroline Charles Paul Costello and Amanda Wakeley - but there is also a range of accessories from Anya Hindmarch (handbags, some classic, some witty) and Butler & Wilson. These names are not new but they were not always easy to track down. Now their wares can reach homes all over the UK as well as abroad.

The Davidsons' hunch that there was a mail-order market for quality designer clothing looks to be proved right. It will

well-priced at £230 but cannot begin to compete with Marks and Spencer on price terms. Amanda Wakeley's fine wool sweaters with satin cuffs may seem expensive at £220 but they do offer that magic combination of being classic and distinctive.

For this catalogue most of the designers' clothes come from mainstream collections but in the pipeline for the autumn are more exclusive ranges, including some sassy cocktail dresses and evening suits from David Sassoon of Beville Sassoon.

If you are interested in the spring/summer range you can order the catalogue by post or by phone: Kingshill, Little Kingshill Grange, Great Missenden, Buckinghamshire HP16 0DZ. Tel: 0494-580555. It costs £3.50 (refundable on the first purchase) plus £1 p&p.



Knives for the pure in heart

David Sexton risks opprobrium to seek out the best in blades for strictly peaceful uses

SAYING YOU like knives invites opprobrium, especially since more young people are carrying them for criminal purposes. Outside my house, I once overheard a boy exclaim to his friends that he had to go back home for a minute. Had he forgotten to lock up? Had he left his rail ticket behind? No. "I forgot me blade," he explained to his sympathetic mates.

But are there no reasonable grounds for taking pleasure in a well-designed pocket knife? If not, it is a pity. For they combine form and function in a thoroughly satisfying way. They are useful for picnics, for sharpening pencils, for opening parcels.

The best-known example is the Swiss army pen-knife. Top chef Raymond Blanc chose one as his luxury item on the BBC radio programme *Desert Island Discs*. He actually owns a red one, which he was given by his eldest son several years ago; he uses it for such diverse things as cutting branches and opening bottles. "It's a comfortable companion," he says.

These are the only pocket knives sold by Harrods, the London department store - for reasons of safety, or tact? - and they are available in a huge range under such names as Spartan, Camper, Climber, Huntsman and Explorer. Buck & Ryan, the splen-

did ironmonger in central London, also has them at competitive prices and they are sold, too, in such fancier places as designer Paul Smith in Covent Garden.

Victorinox, a Swiss family firm, has been making them ever since winning a contract to supply the Swiss army in the 1890s. The quality of the workmanship is excellent. Yet, as knives, their aesthetic qualities are nil, even for those with only a few extra functions. Those with dozens of appendages - the thick SwissChamp has more than 30 - are positively grotesque. Nor do the stainless steel blades take a good edge.

The other most fashionable pocket knife is Opinel. Of a similar antiquity, these knives also are alpine in origin and they are impressively functional. The handle is wood, the curved blade high-carbon steel. A simple but effective safety ring twists round to lock the blade in position. Closed, it does not quite disappear into the pleasingly shaped handle; extended, it makes a nice line with the wood. The knife is very light and has a pleasantly rustic quality.

Opinel knives come in many sizes and they are cheap. They were popular in France before Britain, and some fancy versions have been devised. You can buy them with stainless steel

blades (shinier but blunter) and stained wood handles (pretty in green, red, yellow or blue). Prices range from £3.4 up to around £12. Again, Buck & Ryan has a full range, or you can get them from Oggetti, Conran or Authentics.

Both Victorinox and Opinel are distributed widely. Beyond this, though, it gets more difficult to find good knives. Conran sells a number of small, ugly specimens from Japan, all shiny metal ("vanadium stainless steel") at £19.95. Knives, needing to fit the hand, do not work well to a modernist machine aesthetic.

Far and away the best modern knife is Puma, based in Solingen, Germany. These are made from quality steels tested to a high degree of hardness; the designs are at once wholly functional and elegant. Some use "Sambor staghorn" or "Rio-lacarana hardwood" for the handles, but the most attractive are actually those made of a tough plastic called Micarta.

The basic Puma knife, with this handle and a rear-locking mechanism, looks neat folded in on itself. Opened, it has a sinuous line from handle to blade. It feels entirely solid; you could split a lobster on the beach without difficulty, or skin a bird.

To some eyes, its plain lines make it look disturbingly like a weapon

rather than a tool. To others, it is a thing of beauty. Puma knives, ranging in price from £40-50, are available from Authentics in Covent Garden, London.

Authentics also sells the prettiest of all knives, the Laguiole, a traditional French shepherd's knife still made in the beautiful Aubrac mountains of the Aveyron. They have a handle of horn made into a thin, elegantly undulating shape and riveted on to brass, which seems to wrap around the pointed blade.

Opened, this is much wider than the handle, which obviously exists only to support it. On the better versions (usually numbered individually), the steel back of the handle is chased with a foliage design and capped with a bee. There is no actual lock, but the blade snaps crisply into place and feels quite safe for the fingers.

Laguiole knives are found easily in France but are hard to track down here in the UK. Conran seems to sell one but, on inspection, this "Laguiole" knife (£21.75) does not fold, and has a wooden handle and no edge. It turns out to be a paper knife.

Max Pike's Bathroom Shop in central London sells two sizes: a 9 cm horn version with a single blade for £37.50, and an 11 cm specimen (with a

blade, a corkscrew and a spike for loosening knots, prising open tops, cleaning a horse's hoof or a myriad other tasks) for £68. Both prices include mail order.

Authentics has sold out of Laguiole knives but expects to get a new delivery in three to four weeks at prices from about £10 up to about £35. It is worth examining each one individually. Unlike Puma knives, which are machine-made and perfect, these have the feel of a craftsman's work, good or bad.

Philippe Starck has produced a kind of trendy do-it version of the Laguiole, made smoothly all over in stainless steel but keeping the shape (899 from Authentics). It is a homage of a sort. In France, pocket knives are remarkably fashionable. They decorate the pages of all the better women's and decor magazines. That they are seen in the UK mainly as offensive weapons is just another of the ways in which the joblessness of our popular culture impoverishes us all.

■ Buck & Ryan, 101 Tottenham Court Road, W1P 0DY; Paul Smith, 41 Floral Street, WC2E 9DG; Oggetti, 135 Fulham Road, SW3 6RT; Conran, 81 Fulham Road, SW3 6RD; Authentics, 43 Shelton Street, WC2H 9JF; Max Pike's Bathroom Shop, Unit 5, 4 Eccles-ston Street, London SW1.

End of the lode for gold thieves

A British geologist in Australia has found a way to 'fingerprint' the metal. Kenneth Gooding reports

THE GOLD thief could not believe his bad luck. Like nearly everyone else in the business, he was convinced that the origins of what he had stolen were untraceable once identification marks had been removed.

Yet, the expert prosecution witness was telling the court, with uncanny accuracy, how the thief had gone about disguising them.

The witness said the metal had been melted and some 18-carat scrap gold added before it was melted again. He even identified the mine from which the gold had been taken. The accused man was so astounded that he changed his plea to guilty - and then admitted he had indeed done everything claimed.

Dr John Watling, the expert witness, was so elated that he almost asked the judge to let the thief go free. For the case was a crucial step in establishing that gold "fingerprinting" really does work.

This technological breakthrough affects not just gold thieves: it will make life much more difficult for fraudsters and drug barons the world over. Before long, Watling's work will result in much of the world's gold being fingerprinted so that its origins can be pinpointed with certainty. In this way, it will cease to be an untraceable international currency.

This will, for example, make laundering drug receipts more difficult. One way in which drug rings move their money into the mainstream banking system is to buy gold-mining land, or even old mines.

Stolen gold is bought with the illicit cash and is then mixed with dirt and possibly some metal from the mine or mining area. The metal then goes to a refinery, which has no way of knowing it is not newly-mined gold. When it leaves there, it has become "legal."

Watling's system also will help to prove that mines have been "salted," a confidence



Gold miners at work in Western Australia last century. Today's new technology makes life easier - but does not deter thieves

trick as old as the industry itself.

Watling, 42, is a British geologist and geo-chemist born at Helsden, near Norwich. Educated at Imperial College, London, he has for the past two years been in charge of the West Australian government's minerals science laboratory in Perth. He started work on his fingerprinting theory about 10 years ago when it occurred to him that the 70-80 elements in gold might be brought together in a unique way whenever a specific deposit was formed.

It was only a short step from proving the theory to finding a practical application. That came when he gave evidence in a case where the accused claimed that gold in his possession came from South Africa. Watling showed that it actually originated from a West Australian field.

How? Because, said Watling, South African gold has signifi-

cant concentrations of palladium, ruthenium, platinum, osmium and iridium; Australian gold has none of these.

Watling needs only a very small trace of gold for his work. The sample is cut by a laser linked with a plasma-mass spectrometer; this identifies the trace elements present. The technique is similar to traditional human fingerprinting in that a jury can simply be shown patterns on sheets of paper to compare one gold sample with another.

Watling says the first case to use gold fingerprinting was the most difficult because his team had to go to great lengths to get the details absolutely right. Today, defence lawyers in Western Australia no longer question the validity of the technique, which has been used in 17 gold theft cases.

This is particularly important in a state where it is estimated that at least 2 per cent of the

gold mined is stolen - an annual loss worth about A\$2.5bn.

Part of the reason for this is that, in the West Australian fields, stealing gold is not considered a particularly serious crime. This attitude dates back to the days when miners were paid a pittance for working underground in difficult and dangerous conditions. When, occasionally, a miner found a gold nugget among the ore, the temptation to pocket it often was irresistible.

Today, most of Western Australia's gold is spread in invisible specks through the ore which is dug from open pits by construction equipment and put through a chemical recovery process. Accidents are rare and pay is reasonable.

But every one of the 29 pubs in Kalgoorlie, the town at the heart of the state's eastern goldfields, still has its "gold buyer" - someone willing to

give cash for the metal with no questions asked. And while it is unusual to find a nugget, the new technology used in the goldfields does not deter determined thieves.

A wire wool pad suspended discretely in a mine's carbon-in-leach tank will collect about two troy ounces of gold a day, worth nearly A\$900. Thieves take gold-impregnated carbon and use oxy-acetylene equipment to burn away the charcoal to get at the gold.

They even take the so-called pregnant solution - a mixture of water, cyanide and gold - and set up their own processing operations to extract the gold.

To combat all this, the West Australian Gold Producers' Association, working through the Chamber of Mines and Energy, uses the services of the Kalgoorlie-based Gold Stealing Detection Unit. This is part of the state's police force



Watling... elated

but is hired out to the private sector. Its present head, Det Senior Sgt Darryl Lockhart, says that unless it is obvious a gold theft case can be resolved quickly in court, all samples and exhibits go to Watling's laboratory for testing. "It is an invaluable tool for us," he adds.

So far, Watling has fingerprinted 60 mines and 40 bullion samples from Western Australia and is now fingerprinting more than 200 samples from South Africa and Russia. He and some colleagues are soon to publish a paper making the technique available to other scientists.

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Dressing for the Professions: The Architect

Working clothes arouse some trenchant opinions, as Paul Keers discovers

American architects remain essentially formal dressers, with the

John Pawson is another architect

But Pawson is reluctant to adopt the minimalist tag usually applied to his work for his personal style. "How about restrained? Simple?"

With architects such as Pawson and Jiricna, it seems that stylistically, what you see is what you get. Jiricna agrees: "It's inevitable that when you are constantly surrounded by problems of an aesthetic nature, then everything becomes based on your attitudes to the aesthetic. Subconsciously, you are bound to look at things from that same angle, which is going to be reflected in what you wear."

But that is not always the case. The radical glass pyramid in front of the Louvre was designed by the

traditionally dressed I M Pei. And the biography of Richard Rogers recalls how, in 1977, he was invited to the initial briefings by Lloyd's for its new building. "Rogers" was aware not only that the client was rather different from the experimentally inclined French government of 1971, but also that times had changed — he bought a grey Yves St Laurent suit for the occasion and borrowed a tie.

zine's ten best-dressed men for 1993. Photographed in his habitual straight leather riding boots from Manolo Blahnik, and the shoulder-length hair which has not been cut for more than 20 years, he declared, "I dress the way I want to dress. I don't think that's too bad to accept codes, that's not bad."

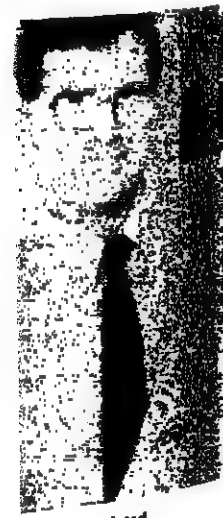
His dress signals his uncompromising approach. This, after all, is a man whose professional wardrobe has featured a wolfskin coat, boots, lace ties, decorated Kansai jackets and black jodhpurs. He said in one interview: "I was very straight in

"You'll find as many grey suits in architecture as in any other profession."



Those uncontrollably casual Italians are hounds for English style tailoring – particularly our more informal jackets. But what they have to search high and low for in the Viasa and the Corsos, you can find in *Simpson Piccadilly* without moving a muscle. Do make the effort to stand erect when you try one on though. This is England after all.

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ding reports

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It is turned out to the publisher its present head, Major Sgt. Darryl Locke, says that unless it is considered that case can be resolved in court, all suspected exhibits go to Watling's laboratory for testing. "It's a valuable tool for us," he says.

Sgt. Watling has been awarded 26 mines and 20 bombs from Western allies, and is now fingerprinting them. 200 samples he has from Africa and Russia and some colleagues are establishing a paper magazine catalogue available to all students.

[illegible]

FOOD AND DRINK

Cookery/Philippa Davenport

A quick bite along party lines

HIGH-SPEED, home-cooked alternatives to the ready-prepared meals of the high street multiples - seem to have struck a chord with readers, particularly those who are, in the words of one, "always in search of something as easy as pasta but more unusual and more glamorous." In other words, dishes that are genuinely practicable for mid-week dinners *a deux* and could even be used for a dinner party.

So, here is my suggestion for an informal and relatively effortless mid-week dinner party.

RED MULLET WITH PESTO

(serves 4)

A first and main course rolled into one, this is served best in deep

soup plates, with forks for spearing the fish and vegetables and spoons for supping up the broth. Salad, plus a handsome selection of cheeses and good chocolate or sweetmeats with coffee, are all you will need afterwards.

Ingredients: Red mullet, cleaned, scaled and filleted (enough to yield 1-1½ lb of fillets); 3-4 oz green beans; 2 oz small young spinach leaves; 2 leeks; 2-2½ pt unsalted fish stock; a good pinch of saffron strands pounded with mortar and pestle; a long curl of finely-pared

orange peel; a generous splash of Nollly Prat; 1 ciabatta loaf; 2 or 3 sprigs of basil; home-made pesto (or Le Roi with a grating of Parmesan added).

Method: Remove any scales and bones the fishmonger may have missed and cut the fillets across obliquely into generous bite-size pieces. Dust the skin - but not the flesh of the fish - lightly with salt. Top and tail the beans and cut the leeks into chunks. Slice the bread, toast it lightly, spread with pesto, pile it on to a plate and keep hot.

Fast-boil the Nollly Prat until reduced by half. Add the fish stock, orange peel and saffron and bring to the boil.

Drop the leeks and beans into the pan and cook them until just tender. Then add the spinach and the finely-torn basil leaves: they will need little more than a minute to wilt and heat through.

While the broth and vegetables are cooking, heat a well-seasoned frying pan and dry-fry the fish (in two batches). First, cook it skin side down. After about two minutes,

when the skin is crisp and the flesh has begun to change colour, turn it over and fry it flesh side down for just a few seconds. Remove and keep hot in a tureen while you cook the rest of the fish in the same way.

Discard the orange peel and ladle the vegetables and broth over the red mullet. Check seasoning and bring to table with the toast (the idea is to eat the stew and nibble the toast on the side).

Then drop the remaining toast into the tureen so it soaks up the flavoured liquid and softens

enough to cut with a spoon and sup with the broth.

PROCESSOR PESTO

I always used to make pesto by hand - aromatherapy *par excellence* if you have the time for it - but I have decided that metal blades do not taint basil as mortar and pestle addicts once led me to believe. The new generation of Magimix machines contain a miniature inner bowl which is ideal for making pesto. A labour of love has been reduced to an unlovely but efficient one-minute task.

Ingredients: A handful of fresh basil (ie. 2 little supermarket bunches); 1-2 garlic cloves; 1 well-rounded tablespoon pine nuts or flaked almonds; scant 2 tablespoons freshly-grated Parmesan cheese; 2-3 tablespoons extra virgin olive oil.

Method: Strip the basil leaves from the stalks and put them into the mini-bowl of a food processor. Chop the garlic and crush it with a good pinch of salt. Add it to the bowl and whizz briefly. Add the nuts and cheese and process again until the ingredients are all chopped finely and well mixed.

Finally, add enough oil to make a creamy puree-like paste, adding it slowly through the funnel while the machine is running. Check seasoning and serve.

Getting to grips with the R-word

The world's greatest white grape does not have to be sweet to be good, as Jancis Robinson confirms

WINE NAMES are full of pronunciation traps. Cos, Montrachet and Moët can all sort out the Mounts from the lamb, but the most commonly mispronounced name of all must be Riesling, which is "Reese-ling" and not "Rise-ling".

This is all the more lamentable since Riesling is the greatest white wine grape of all, lives for ever and, as demonstrated eloquently at recent tastings held in Paris and London, and New York on Monday, does not have to be sweet to be good.

The tastings could not be concurrent since they were the child of one brain, whose owner was understandably keen to attend each one. Stuart Pigott is a dedicated non-partisan wine writer in his early 30s who divides his time between south London and Germany but sees his mission as sniffing out some of the finest wines being made today, wherever they may be.

His particular speciality is Riesling, about which he has written four books (two of them self-published guides to the best wines made in Ger-

many in 1989 and 1990), and he has for years wanted to set up a blind comparison of the finest Rieslings of the world.

The super-concentrated 1990 vintage of last provided him with an even playing field for the Rieslings of Germany, Austria and Alsace in France. And he had to choose the razor-sharp dry style of Riesling since that is just about all Alsace produces. Germany and Austria used to make predominantly sweet wines, and British and American wine merchants still import little else, but within Austria and Germany there has been a wine-making revolution, partly provoked by the 1986 diethylene glycol scandal in which only sweet wines were implicated.

Thus, since about 1988, almost all regions of Germany and, in particular, the cool and dramatic Wachau district of Austria make a wide range of fully fermented, non-sweetened Rieslings in the racy style of Alsace (which style has in any case been the only acceptable form of Riesling for many younger British and American wine drinkers).

The Pigott tasting, held at the Gavorche with Riesling glasses as indications of seriousness, comprised six flights of wines (this collective noun for once seeming appropriate, given the airborne quality of fine dry Rieslings) of which a dozen came from each of Austria and Germany and 10 from Alsace.

"This tasting is in many ways the most impossible thing I've ever tried to do, because of the impossible combination of political interests," was his somewhat dejected comment on the machinations involved in persuading the three generic promotional bod-

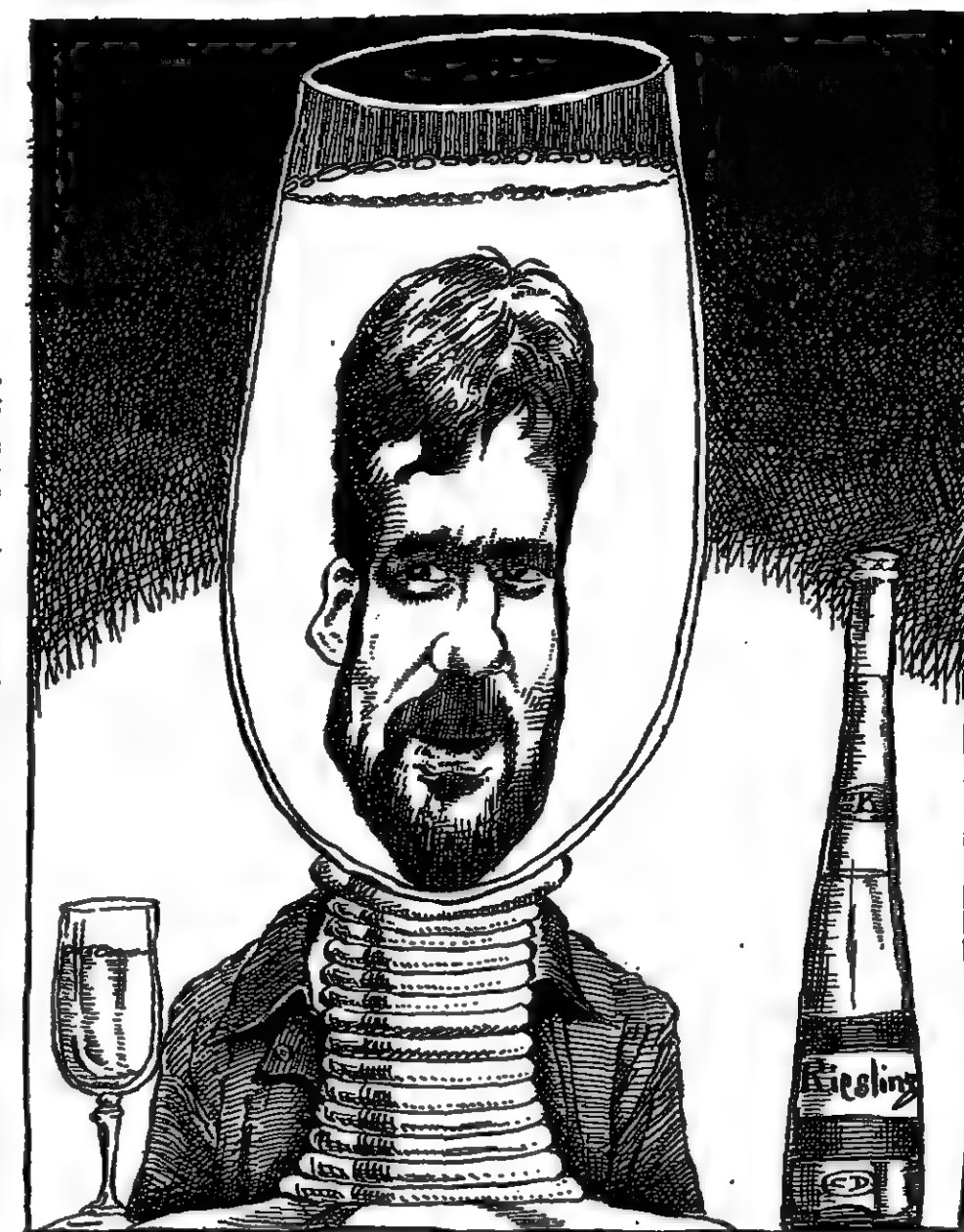
ies concerned to underwrite such a potentially damaging exercise.

In the event, what was extraordinary to me was the similarity in style between the wines, yet the dissimilarity between that style and the stereotypical description of Riesling. There was hardly a wine that could be described as "flowery", while Riesling, like any great grape variety, proved itself as a vehicle for transmitting location. Virtually all of the producers seemed to be trying to pack such concentrated and local character into the bottle as possible, so that many were marked much more by a distinctly mineral note, with explosive, but definitely dry fruit on the palate. Lime, wet stones, gunsmoke, paprika, honey and even salami cropped up in my tasting notes, and they were all beautifully balanced, except for some very ripe wines in which the alcohol was just a bit too much for this delicately transparent grape variety.

As has become customary at any serious blind comparative tasting (especially one funded by the participants), we were urged at the beginning that this was Not A Competition. But, as has also become customary, there was a show of hands for favourite wines at the end.

The London favourite seemed to be an Austrian, a Dürstener Kellerberg Smaragd from the Wachau magician F X Pichler, which had been second favourite in Paris where, perhaps not surprisingly, an Alsace wine had been favoured: Marcel Deiss's Schoenenburg (222.50 from Lea & Sandeman, see below).

It is difficult to exaggerate how well a top quality dry



Riesling goes with food - far better than most Chardonnays which can be extremely blunt instruments to apply to the palate and head at the start of a meal.

High acid plus relatively low alcohol, now minus sugar, should equal success for this exciting new style of fine wine. ■ Where to buy dry Rieslings: It is near impossible to find the lovely Wachau Rieslings outside Austria, and the dry

Rieslings so treasured by Germans are only slowly escaping that country - although try Philip Eyles of Amersham (tel: 0484-433222), Gelson Castle in Scotland (0596-3012), Oddbins and Summerlee Wines of Earls Barton (0604-810488) for names such as Juliusaapital, Koehler Ruprecht, Lingenfelder, Müller Catoir.

Expatriated top quality dry Alsace Riesling is much easier to find. Adams of Southwold

(0502-734222) sells Blanck wines; Lea & Sandeman of London SW10 and W8 on (071-376-4787) has Deiss; O W Loeb of London SE1 (071-422-7750) has Faller, and Hugel; Morris & Verdin of SW1 (071-680-8888) has Osterbach; Thresher/Wine Rack/Bottoms Up has Zind-Humbrecht; and La Vigneronne of London SW7 (071-589-6113) has a wide range of Alsace including Kreydenweiss.

Armagnac's allure

worst spirits on its wholly chalk soils. In Cognac, chalk soils are considered the best.

To a large degree the vines are identical which make the thin, acidic wines which distil to make great brandy. The dominant variety is Ugni Blanc or Saint Emilion. In the past Folle Blanche used to be the best in both areas, but this died out in Cognac before the second world war only in Armagnac does an appreciable amount survive. Four or five growers continue to make a pure Folle Blanche Armagnac. In Armagnac there is also the Colombar grape and the Seco. The hybrid Seco will have to go before 2010, but it has its fans. Growers counter that it is only good because it is planted in the best vineyards of Bas Armagnac.

The chief difference lies in distillation. Both started out with the onion-shaped pot which distils in batches. At the turn of the century, Armagnac went over to the column still, a cheaper, continuous process. When the first legislation was introduced to govern spirit distillation in 1938, there were no pot stills left in Armagnac. The law was amended in 1973 and many distillers took the chance

to install a battery of cognac-like pot stills.

Spirit runs off a pot still at a higher degree of alcoholic strength than a continuous still: 70 or more per cent, as opposed to as little as 53 per cent from the column. The pot still spirit is cleaner, with fewer impurities. There is a disadvantage, however: you

stick it in a new oak barrel to give it a nuance of vanilla.

Almost all "three-star" and many VSOP Armagnacs are made in this way, and pot still spirit will be found in varying proportions in Armagnacs up to XO level. After that, deluxe and vintage Armagnac is produced by the traditional, continuous still.

Even traditional Armagnacs age more quickly than cognac. It is better in Gascony than in the Charentes and, throughout the summer months, distillers often lodge casks in hot lofts where the spirit gains in strength. The famous "rancio" character of old sherry, nuts, dried apricots and wild mushrooms creeps in earlier in Armagnac, when the spirit is about 10. In Cognac, you generally have to wait until it is over 25.

Wise blenders transfer their Armagnac from wood to glass demijohns after 30 years; otherwise, the woodiness becomes overpowering. This was demonstrated by an 1888 Armagnac from the Bas-Armagnac firm of Samalens. Extract of Armagnac, Pierre Samalens called it. It had been 80 years in cask.

Armagnac may sport a vintage date, a privilege denied to

cognac. These vintage Armagnacs are available readily although many of the houses prefer their blends, which represent house styles as opposed to the caprices of the weather. Pure column-still Armagnac does not come cheap.

The merchant house of Larresinghe makes a nice spicy "Très vieil Tenareze" at £25 from Balls Brothers (311 Cambridge Heath, London E2, tel: 071-739-1642). Samalens' prune and iris-scented Vieille relique will set you back about £50 from Harrods (071-499-8292 for other stockists). The slightly harder style of Tenareze is well represented by the Armagnacs of Chateau Pomes Pehere.

Arthur Rackham and The Vintner shops sell the 1961 vintage at £22.99 but, if you balk at that, there is a pure column-still VSOP at £18.89. For the more aromatic spirits of Bas Armagnac, the Domaine de Mouchac 1976 is made in a benchmark style (£50 from Lay and Wheeler of Colchester 0206-577-372).

The very best Armagnac I have tasted this past year, however, is the Folle Blanche from the Domaine de Boig-nieres with its delightful aromas of flowers and apricots. It is just what Armagnac ought to be and worth every penny of £70 from Bloomsbury Wine and Spirit (071-436-4763) or Harcourt Fine Wine (071-723-7202).

Pure column-still Armagnac is not cheap, says Giles MacDonogh

miss out on that powerful aroma of prunes, incense, spices and wild mushrooms and make a spirit which is neither Armagnac nor cognac, for pot still Armagnac rarely achieves any distinction in old age.

Where the commercial incentive comes in is that pot still spirits are ready to drink rather earlier than those made in a column still. You might market a pleasant drink when it is only two or three years old, providing you add a little cane sugar and caramel and

Appetisers/ Philippa Davenport

Stocking up

Nympton, Umberleigh, Devon EX37 9TB. Tel: 0769 574341. Fax: 0769 572839.

■ St Patrick's day celebrations continue with the launch of the 1993 editions of John and Sally McKenna's prize-winning Bridgestone guides: *The Irish Food Guide: 100 Best Restaurants in Ireland: 100 Best Places to Stay in Ireland: and 100 Best Places to Eat in*

Dublin. If you rejoice in good food, fun and feisty prose, it would be a crying shame to visit Ireland without at least one of them. From good bookshops and direct by mail from the McKennas at Extragone Press, Coom Keen, Durrus, Co Cork.

■ Elderly dons donning an apron for the first time, aspiring lads and lasses fresh from school, professional caterers, housewives and pen-pushers like myself are just some of those who have benefited from lessons given by Sonia Stevenson, former chef-proprietor of the Horn of Plenty restaurant. Fish cookery and sauces are her speciality. Classes are limited to eight pupils. Courses run

from 1-2½ days midweek, also weekends. Forthcoming venues include Cullompton in Devon, Inverness and Wimbeldon. For details contact: Sonia Stevenson, The Old Chapel, Bethany, Trerulefoot, nr Saltash, PL12 5DA. Tel: 0763-851813.

■ And now... English eau de vie from Wootton Vineyard in Somerset. Somerset Eau de Vie is made by distilling young wine and ageing it for a few months in cask. The result is extremely successful with a good flavour. Retail price around £14.75 for 50cl. Inquiries to Major Colin Gillespie on 0749-590363.

AGAINST THE GRAIN.

粒米

The first ever glass of golden lager was brewed by our forefathers at the famous Pilsner Urquell brewery in 1842. Since then, the art of beer making has been handed down from one generation to the next. Nowadays, one hundred and fifty years later, we still use the same time-honoured brewing techniques and the same traditional recipe to produce our unique lager beer. We are insistent upon only ever using the splendid natural ingredients that surround us: the crystal clear water rising from our local hillside spring; the two-rowed Bohemian malted barley; our particularly fine-strain house yeast; and the most fragrant female Zatec hops. Indeed, we are veritable devotees to the 'Purity Pledge' of 1516 introduced by Duke Wilhelm IV of Bavaria. This beer-loving old ruler stated that only water, barley, yeast and hops were good enough to produce a brew. Unfortunately, many brewers throughout the world, notably America, do not adhere to the duke's wise words: they are quite content to use inferior adjuncts such as rice. In our opinion, any brewer who is for the grain is surely going against the grain. So, allow us, if you will, to recommend the pure and pleasing qualities of Pilsner Urquell. Your decision, may we tentatively suggest, could not be wiser.

Welcome to the Jerk Centre

"SO, WHITE man, you want a little buss up shut?"

I was looking at a very large Trinidadian lady holding an 18-inch serving spoon in her hand. It sounded threatening. But she hardly seemed violent, so I took a punt on it.

I was handed a polystyrene box with knuckles of curry goat and some *paratha* (unleavened bread). It tasted good, but it left me wondering what buss up shut could be.

In Trinidad there are so many food stalls that you hardly need to sit down to a formal meal. And you can start right outside the airport when you arrive - Queenie will give you a roti, an envelope of filled bread.

The many snacks on offer reflect Trinidad's extraordinary mix of population. *Roux* are of (East) Indian origin (as are about 40 per cent of Trinidadians). So are sweet, more unleavened bread folded over double, with a yellow *channa* (split pea) filling, and *aloo pie* (also is Indian for potato).

Arripa is supposedly of Spanish origin, a cornflour patty with mince stuffing, while *patels* (Spanish, via Venezuela) are a mix of peppers, raisins and minced beef wrapped in a *dasheen* (like spinach) leaf. There is even Chinese in the mix. Earlier this century, Trinidad had quite a community of Chinese, though many have now left for the Pacific coast of Canada. Taken from the Chinese word for bread, *poa* is a ball of fluffy dough with a savoury or sweet filling. Vendors selling batter balls often stand in a line together. You can buy *phutut* (split peas in batter), *sobras* (spinach) and *baigan* (eggplant). Sweet mango chutney is on hand for a dip, but you are advised to be wary of hot pepper sauce.

There is also a variety of sweet offerings: *pamie* (supposedly of French origin) is sweet coconut with raisins in cornmeal. Only the very brave try a *tamarind ball*, a sluggish lump of unverifiable specific weight,

a torture of bitter and sweet. If you fancy fruit, a walk around the centre of Port of Spain will get you anything in season from the back of a pick-up.

Coconuts are on sale throughout the islands. They are well worth trying, though it may come as a surprise that as soon as you show interest in having one, the vendor will promptly whip out his machete. Do not be alarmed. With a few deft strokes he will top the nut, leaving a small hole for you to drink through.

Another great Jamaican institution is the Jerk Centre. Contrary to what you might think, these are not gathering points for the socially ungainly (you will even find the occasional Executive Jerk Centre), but open-air barbecues where you can buy jerked meat. Jerking is a special way of cooking meat, originally developed by the runaways in the Jamaican hills, who would shoot wild boar and cook it for a couple of days in an underground oven. Nowadays they use an open oven in the ground, with plum and mahoe wood for flavouring. The original pork has now become chicken, sausage and "spear ribs".

Your order will be backed into bite-size pieces and bundled into a piece of paper. Then comes the offer of hot pepper sauce. Take the tiniest dab at first, because pepper sauce has a searing taste and a nasty habit of affecting anything edible for about 100 yards around. It struck me that hot pepper sauce is what buss up shut had threatened to be. Eventually, my curiosity got the better of me and I asked what buss up shut was. The large Trinidadian lady took a piece of *paratha* bread and held it up. "You see it look like a shirt material?" (It looked like a piece of khaki denim). "Well now, I bust up de shirt," she said, tearing it up in strips, "an' so, you 'ave buss up shut".

James Henderson

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SPORT AND MOTORING

Rugby Union

Pride of Lions with an English accent

TOMORROW morning, those selecting the British Lions' rugby squad to tour New Zealand this summer will announce their choices. Gentlemen, you need not bother. I have picked the party for you. Take the day off.

Although it is never easy to pick Lions' teams, I believe the 1993 party is easier to select than, say, those of 1983 and 1989. Players from England - which is vying with New Zealand to be the second-best rugby nation in the world - obviously should form the core of the party.

Some ground rules. First, I am selecting solely on ability. Lions' teams have been dogged by regional parochialism. Imagine the scene: selectors representing each of the four home unions gather round the table. As the composition of the party takes shape, one selector realises that there will only be a couple of players from his country. This will reflect badly on him and colours his comments.

Since it is impossible for me to predict these outbursts of chauvinism, I have ignored them altogether. How nice it would be to think there will be none and that the best party is chosen.

The new laws have encouraged the up-and-under as an attacking tactic. Full-backs who are safe under a high ball are essential. Gavin Hastings is one and so, generally, is Jonathan Webb. And while neither is entirely reliable with the boot (look at Webb against Wasps last Saturday), there will be other goal-kickers in the party.

Wings? The Underwood brothers are scorching attackers and deadly finishers. Iwan Evans, provided his shoulder is all right, would be a good vice-captain. He has led Wales well since he was appointed captain 18 months ago. The fourth wing is a toss-up between Ian Hunter of Northampton and Ireland's Simon Geoghegan. Geoghegan is the better wing. Hunter, the more rounded player who can play full-back as well. Since versatility is an asset on tour, I prefer Hunter.

Will Carling and Jeremy Guscott are unchallenged as the first-choice partnership in the centre. Scott Gibbs,

the sturdy young Welshman, should go. He is a rock-solid tackler, as is Scott Hastings. I give my nod to Hastings, though not by much over the Bath club's promising Phil de Glanville.

Stuart Barnes and Rob Andrew are as clear a choice as stand-off halves as Carling and Guscott outside them. They complement one another. Barnes has an edge on a firm pitch because of the way he can get his line moving. He demonstrated this brilliantly at Twickenham against Scotland. Andrew is a doughty competitor and a good goal-kicker. The competition between them will be keen.

John Hopkins saves the British and Irish selectors the trouble of picking a party to tour New Zealand

Gary Armstrong is the obvious first choice at scrum-half. Will the other be Dewi Morris, whose tendency to play as a ninth forward can be so useful, or Robert Jones, the quick-passing technician? Jones could have lost his chance by operating behind a beaten pack for most of the season. Morris is my choice.

No. 8? A man like Dean Richards is an essential component of a team in New Zealand where at least some of the games will be played in mud. His upper-body strength and ability to tie-up the ball will be invaluable. With training every day, he should get a bit fitter, too.

If, however, the ground is dry and the game is expected to be fast and loose, then Ben Clarke would be an acceptable choice at No. 8. He could even play blindside flanker with Richards at the back.

Is Wade Dooley a spent force? I think not. If there are four better line-out forwards in the home countries, then I am a Dutchman. He will benefit from regular competition, which he does not get with Preston Grasshoppers.

Martin Bayfield should go along with Martin Johnson, who is known and respected in New Zealand. Candidates for the fourth place as a lock include Gareth Llewellyn, who has blossomed this season as captain of Neath, Neil Francis of Ireland, and the Scots, Doddie Weir and Danian Cronin. Francis is my man.

Kenny Milne and Brian Moore are certain as the hookers. Jeff Probyn and Jason Leonard as two of the props. I think that Mick Popplewell, the fiery Irishman, and Paul Burnell of Scotland, should join them.

Flankers? Peter Winterbottom picks himself because he is one of the best in the world. I think Neil Back deserves a chance to demonstrate his phenomenal workrate on the open side. Mike Teague is another New Zealand style forward, a man who blossomed on tour in Australia four years ago and could do so again this summer. Emyr Lewis was a leading candidate four months ago but has not played at his best this season. Tim Rodder has come on at Northampton under the aegis of Wayne Sheffield and, like Clarke, could play either at No 8 or flanker. He deserves a chance.

Now, having picked the team one must address the ticklish question of the captaincy. It is true that Carling is the most successful captain in world rugby. But that does not take in to account that he does not seem entirely at ease with it and, more to the point, what goes with it - the media and all that. Hastings manages to do both with less apparent discomfort.

It might be a horrible mistake or it might be a moment of inspired thinking to make Hastings the captain and give Carling a break from captaincy to concentrate entirely on his own game. I plump for Hastings.

So there you are Lions' selectors. I have done the job for you in half the time and at no cost. The party comprises 21 Englishmen, five Scots, two Welshmen and two Irishmen. I must now duck my Irish and Welsh friends and colleagues for having picked only two men from their country but I did say I would select strictly on merit.

Thus the composition of my party is



The worker: Neil Back should be rewarded with a place on the Lions tour

(English unless otherwise stated): G Hastings, (Scotland) capt, J Webb, R Underwood, T Underwood, I Evans, (Wales), I Hunter, W Carling, J Guscott, S Gibbs (Wales), S Hastings, (Scotland) S Barnes, R Andrew, G Armstrong (Scotland), D Morris, J

Tennis/John Barrett

Learners and earners

WITH THE soft spring sunshine bathing the scene once again at Key Biscayne on Thursday, Jim Courier looked pretty relaxed. He had just beaten Mikael Pernfors of Sweden to reach the fourth round of the Lipton tournament. Even though he would have to play a second singles that night (a match he was destined to lose), because of the severe storms in south Florida which had delayed progress at the ten day event, the world No.1 could afford to smile. The 22-year-old American has already won three tournaments this year and banked \$821,899 (\$438,000) to add to career earnings which had reached almost \$5m by the end of 1992.

Just up the coast at Boca Raton, life had a harder edge for four impecunious young Britons. Thursday was the first day of qualifying on the opening leg of the four week Florida Satellite Circuit. For Tim Henman, Nick Gould, Barry Cowan and Dan Sanders this was a life or death mission, a quest for points. Computer points. They alone measure a player's progress. They alone are the passport to a place in the draw and potential prosperity on the whirlwind multi-million dollar roundabout that is men's professional tennis in 1993.

After winning the British Junior Championships last September, Henman's reward was to be part of a British junior squad sent for a four week apprenticeship on the Morocco circuit followed by one week each in Zambia and Botswana plus two weeks in Zimbabwe. That was his first taste of the professional scene.

"I qualified and won two rounds in Morocco to earn my first points - it was an unbelievable feeling," he remembers. "People have no idea what it's like at the qualls. The competition is so fierce. After we'd reached the quarter-finals of the Sunshine Cup team event last December we went off to spend four weeks on the satellite circuit in Portugal. Every man and his dog showed up that first day - 223 guys signed in. It was a zoo out there. But at least I earned a few points. It was a start."

Sanders has not yet made that start. "It will be a huge weight off my shoulders when I win my first point," he says. "There's so much pressure these days, but I don't mind that, now that the LTA are helping me with the cost of competing."

Along with Henman, Gould and Cowan, Sanders is part of a national squad formed last July and managed by LTA coach David Felgate. Sanders, from Yeovil, in Somerset, came to the fore by reaching the semi-finals of the 1991 national Junior Championships in his penultimate year as a junior. Before he earned help from the LTA life was a struggle for his parents.

Dan recalls his attempts to follow the path he had chosen: "They wouldn't let me play tennis at school so I left at 16 and joined John Hicks' squad in Wrexham, playing tennis four days a week and going home at weekends. But each year that cost my dad £3,000 for just six months and he was also having to pay for my sis-

ter at university. Then there was the huge expense of travelling round the tournaments."

Thanks to the efforts of Billy Knight, the former British No.1 who guides the fortunes of Britain's best youngsters do at last have a realistic chance of making the difficult transition from junior to senior tennis. Not simply because there is financial help available. There is also an improvement in the whole area of development. As Henman says "There is a much more professional attitude to training, practice and preparation for matches. I have just had a full medical at the Olympic Medical Institute. I realise just how much stronger I need to be and I now have a full training programme to work at."

Henman has no illusions about the task he faces. "I have to rate myself against people like (Andrei) Medvedev, he's the same age as me and already ranked 21 in the world... that's just 759 places higher than I am."

If heredity has any influence, Henman must have a chance. His grandfather, through his mother Jane, was the pre-war British Davis Cup player, Henry Billington. "I've been playing since mum and dad started me off at the age of two-and-a-half. We were lucky to have a court at home so it was always possible to practice."

When David Lloyd started his Slater Squad some five years ago, based on Reeds School and his Raynes Park club, Henman was in the original intake. Tim says Reeds played an important role in keeping a balance to his life. "There was nothing special about being a tennis player there. When you went back after practice at the club you simply joined the other kids in normal school activities."

Henman believes the man he must thank for his sound technique is former Davis Cup player Steven Shaw who accompanied James Bailey and Jamie Delgado on their successful trip to Australia in January. Shaw was deputised by David Lloyd to instil a professional attitude in his charges. With healthy competition between the many squads that now exist around UK, both at the centres built as part of the Indoor Tennis Initiative (ITI) and at others in private hands, there are the beginnings of the long-awaited British tennis boom. Much has still to be done. As Davis Cup captain Tony Pickard said this week in Key Biscayne, where he was working as usual with Stefan Edberg. "We are still not getting the co-operation we need from some of the coaches in coming along with their best youngsters - even though most of them don't have a clue what it takes to exist in this environment."

His arm swept in an expansive arc to embrace this makeshift tennis centre, built on a former rubbish tip, where the world's best men and women, an exclusive band of wealthy athletes, will divide \$3m this week. Perhaps the far away look in his eye is a reflection of how long it will take before Henman and Delgado can expect to amass enough points to join the charmed circle.

Motor racing/Keith Wheatley

Wall of death at 230mph

IndyCar racing, in which Britain's Nigel Mansell makes his debut tomorrow, is the bloodiest version of motor sport. Two things make it especially dangerous: gladiatorial, even. One is that the cars are much quicker than the F1 projects, averaging 230 mph at some circuits. The other is that the oval circuits, hemmed by a concrete wall, leave no opportunity for such niceties as "spinning off."

Tomorrow the season begins with 56 laps, totalling 181 miles, around a street circuit

on the Gold Coast, Australia's answer to Las Vegas. Because of Mansell, it will be the sport's admission to the big time for European fans: British motorsport commercial television has bought the rights to the season's racing which will also go out on satellite TV.

On his first day in the cockpit in Phoenix, Arizona, Mansell came within 0.5 secs of breaking the track record set by Michael Andretti. Actor Paul Newman - co-owner of the team - leant into the car and shook the Englishman by

the hand saying: "That was a mother of a lap."

Newman's partner, Carl Haas, was equally impressed. "I knew he was good but not that good," said Haas. "For someone to come in cold and immediately go that fast is scary. The guy has fantastic car control, experience and skills. If he can do that on an oval, on a road track he will be totally awesome."

Mansell himself was uncharacteristically humble: "Nothing about it compares to anything I've ever done before or anything in Formula One. It's a completely different world, it's a huge media crowd."

"It holds your attention totally. And as far as physical stress is concerned, it's very hard."

To some of its fans IndyCar retains the "purity" of F1 before it went hi-tech with semi-automatic gearboxes, intelligent suspension and radio-telemetry between engine and the pits. IndyCars produce more raw horsepower

through bigger engines. One should not dismiss it as crude. Honda, which stopped supplying F1 engines in 1982, will supply them to the 1994 IndyCar world series.

Some detractors say that on the oval circuits Indy is just a barbaric test of nerve. The laws of physics mean that on the extreme edge of the track, where the curves are shallower, cars travel fastest. They are also closest to the concrete wall as the cars lap at 230mph or so.

Experienced Indy drivers rarely hide how frightened it can make them. Tom Sneva, winner of the 1983 Indianapolis 500, was asked if he had run a little close to the wall on the final turn. "I don't really know," he replied. "Usually you have your eyes closed at that point."

There is the possibility that an IndyCar oval may be built in Britain. At least one circuit owner is deep into a feasibility study. Outline planning per-

mission is already secured.

The sport is enjoying a PR boost even the advent of a movie star driver (Newman) could not create. "Our appointment of Nigel has created a gravity train for all the other teams in IndyCars," said a spokesman for Newman-Haas.

The only doubt is the possibility that Mansell - whether he admits it to himself or not - may just be taking a sabbatical from the F1 big time. He maintains his F1 career is over, leaving at the top with 30 wins and the world title. Others are doubtful.

Frank Williams, his former boss at Williams-Renault, predicts that before the year end Mansell will be talking to F1 people about a contract for 1994. The oval tracks may be a struggle but Williams said recently that Mansell would do enough on the street and road circuits to win the title.

"Nigel will demonstrate when he starts driving in the States that Indy is not the same standard as F1. I think he will be in a class of his own and just disappear," he added. There are precedents. In the 1960s two British drivers, Jim Clark and Graham Hill, came to the heart of US auto-racing and won the Indianapolis 500. Both returned to F1.

Motoring/Stuart Marshall

Get a grip on tired tyres

ONE CAR tyre in three is worn beyond the point of illegality before it is replaced. Another 40 per cent are changed only when they have worn right down to the limit.

Tom Farmer, chief executive of the Kwik-Fit chain of specialist tyre dealers, finds this "horrifying". The official view, as expressed by Kenneth Carlisle, Roads and Traffic Minister, is more relaxed.

He sees the figures - revealed by a nationwide survey - as "showing that, on average, tyres are being changed when they reach the legal limit... and confirming that the public has understood the recent change in the law."

According to another recent survey, many drivers do not know the urban speed limit is 30 mph and the motorway limit 70 mph. So what chance is there of their being aware that to be legal, a tyre must have at least 1.6 mm of tread pattern remaining in a continuous band covering at least 75 per cent of the width of the tread?

It seems that tyre neglect will always be with us.

Yet another survey (the public opinion pollsters must be immune from the recession) suggests that road hauliers, though always moaning about rising costs, throw away £30m a year in premature wear caused by abuse and neglect of lorry tyres.

Nothing is more essential to safe driving than a good set of tyres. But mention tyre care to most motorists and they eyes glaze over. Tell them that four new ones for their sporty, 130 mph (210 kph) family saloon will be over £500 and they mutter highway robbery. Even though the elaborate in-car entertainment system they selected cost far more.

Today's steel belted radial tyre is long lasting (and long suffering) as well as life saving. Even better ones are starting to appear on new cars and in specialist dealerships or are waiting in the wings. For example, at Geneva Show earlier this month, Michelin unveiled a futuristic tyre called Anghinga on the Renault Racoan, a concept for an amphibious, go-anywhere leisure vehicle.

The fat, low pressure Anghinga's tread

pattern looks like animal hoofprints. It blends with the terrain it runs over and does less surface damage than a normal off-road tyre. Michelin made it of green rubber to show it is environmentally friendly.

Very low rolling resistance Michelin tyres are helping the latest Citroën AX diesel to be the world's most economical production car. Over 65 mpg (4.35 l/100 km) is possible in normal use yet it remains agreeably driveable.

For years, the tyre industry has been trying to defeat the curse of the wide, ultra-low profile tyre aquaplaning in heavy rain. A bright idea, by Swiss inventor Jerry Juhan, was to replace one big, fat tyre with two very narrow ones, mounted side by side on a special wheel.

Instead of surface water building up dangerously, as it might under a very

squat tyre's footprint, it flowed through the gap between the two skinny tyres. Narrow tyres do not aquaplane. The Juhan twin-tyre concept beat that particular bogey.

But there were problems as well as benefits in having twin tyres. Goodyear and Continental use the same aquaplane-defeating centre channel on their Aqua-Tread and Aqua-Contact tyres. But they are conventional ultra-low profile tyres with a deep groove moulded in the centre of their tread.

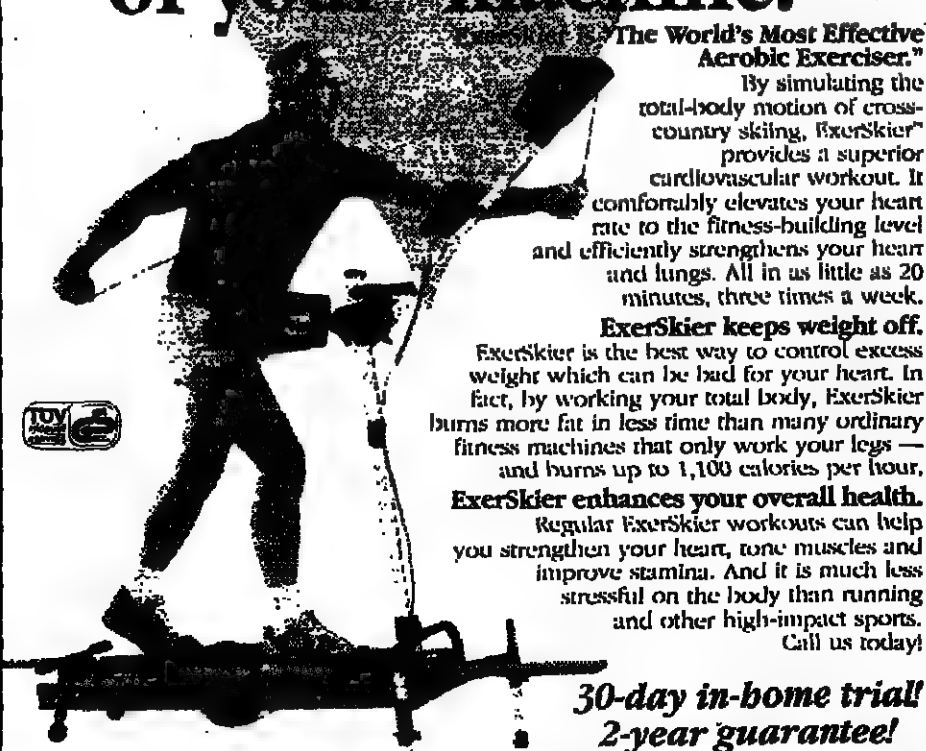
Michelin has taken the idea a stage further. At Geneva Show it displayed Catamaran, a prototype tyre for super cars like Ferrari. It looks much the same as its Goodyear or Continental rivals but is made more like two separate tyres, though still sharing the same air chamber. A thick reinforcing cable buried in the bottom of the groove ensures its depth - and water clearing capacity - stays constant as the twin treads wear away.

Like so many tyre innovations, Catamaran is not brand-new. Michelin patented the design in 1972.

If 21 years seems a long time between concept and reality, consider the radial ply tyre. Two Englishmen, Grey and Sloper, patented it in the reign of King Edward VII. But it was another 40 years before a Citroën Six became the first car to run on radials (Michelin X) in 1949.

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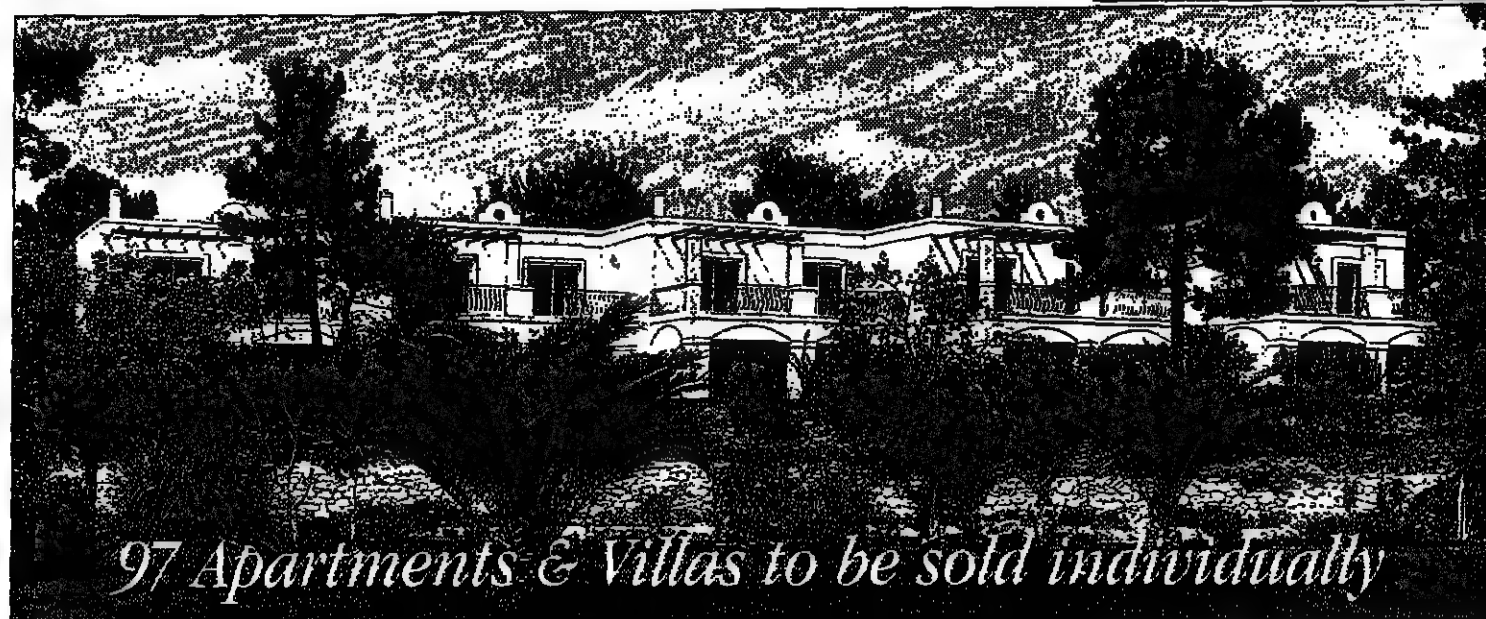
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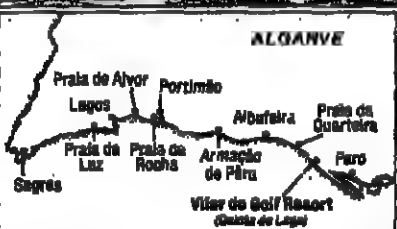
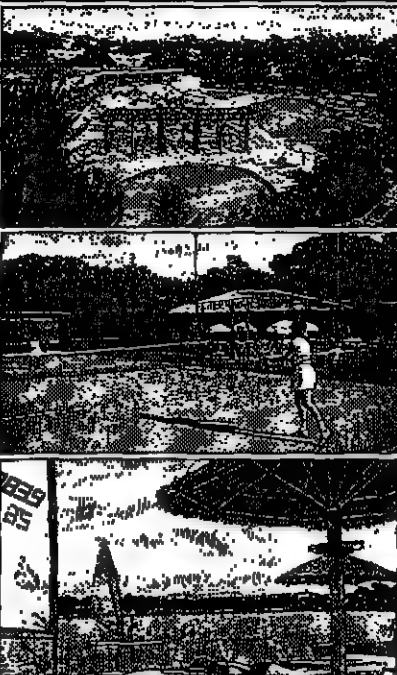
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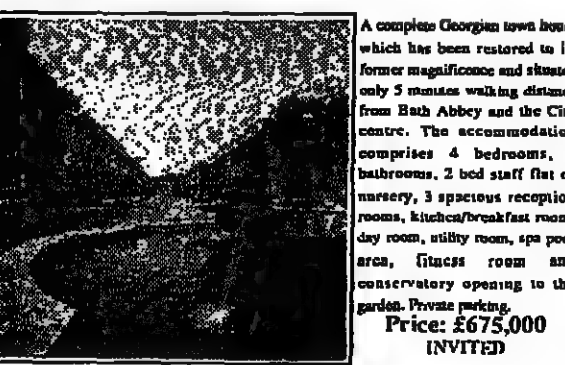
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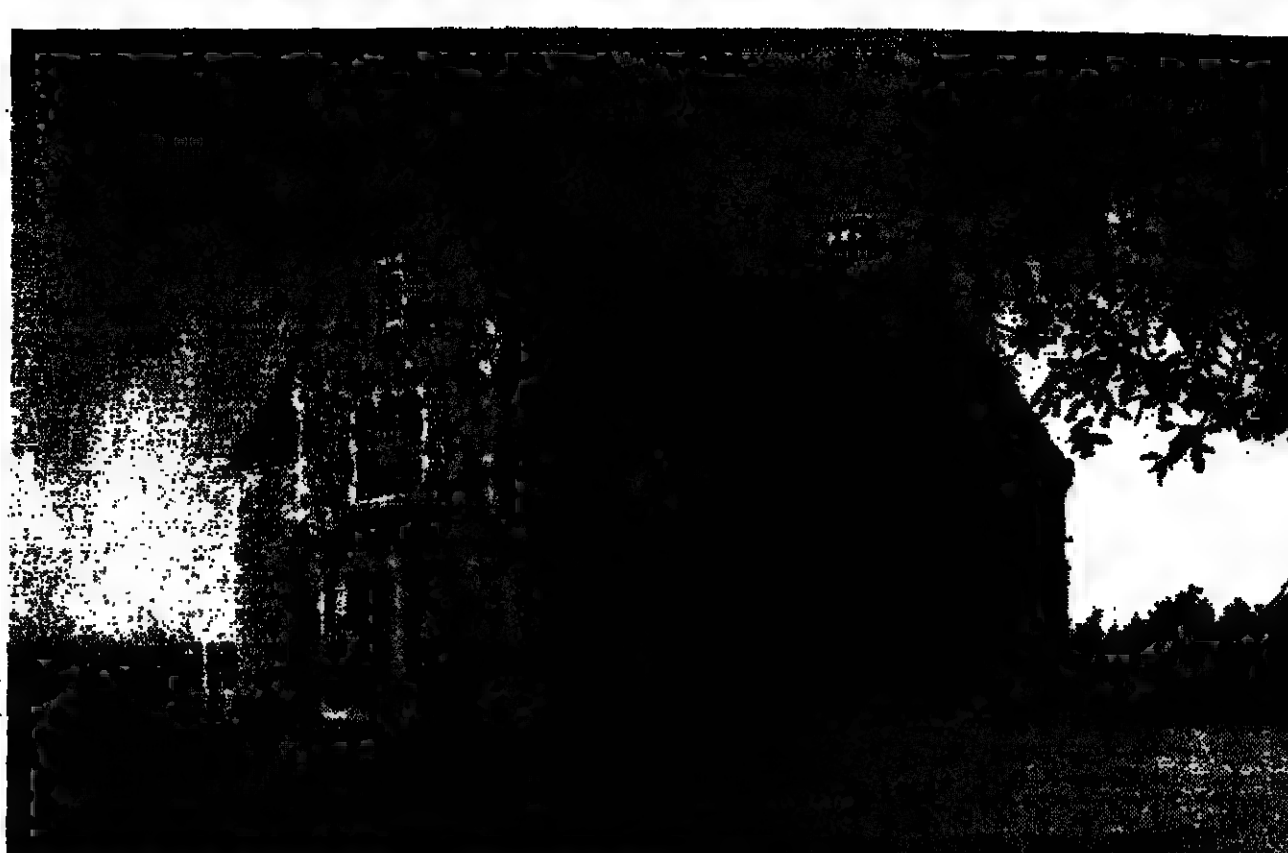
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PROPERTY



Left: The Dower House at Gayton, Northants, built for a former headmaster of Harrow school. Right: Mountfield House at Staplehurst, Kent, which once was the home of a Methodist hymn-writer

For space and grace, go for a rectory

ONCE, when the Church of England still had substantial congregations, rectors ran parishes and lived in rectories: substantial family houses, larger than most in the village and at its heart, next to the church itself. Position in the social pecking order – and attendant responsibilities – were made manifest in brick and stone.

Now, though, the Church has sold nearly all the rectories it can. Parsonages cannot afford to live in them unless they have private means to supplement a typical salary of £12,000 – and few do. Then again, many rectories became surplus when parishes were re-organised into groups of three, four or five churches under one priest.

Rectories, new and old, have one common bonus. Downstairs is an extra room for the study where the priest wrote his sermons and held confirmation classes.

In old rectories, it is often the same size as the dining or drawing room. Expect also plenty of bedrooms, a pantry, scullery and larder as well as the kitchen; several out-

buildings; and a garden of between half an acre and six acres.

The house probably will come with covenants forbidding you to turn it into a pub or make a disturbance during services. But these are not onerous restrictions. And if you are buying it from the Church, there is an unexpected plus. Thanks to the Ecclesiastical Residences Act 1976 and the Parsonages Measure 1988, the deal is free of stamp duty.

That will be the case on Wednesday when the 18th-19th century rectory in the large village of Porlock, on the north Somerset coast and the edge of Exmoor, is sold at auction by Cluttons, the diocesan agent, with a guide price of £160-200,000.

In a similar sale on April 21, Cluttons will auction Berrow rectory near Burnham-on-Sea. This is an attractive Georgian brick building which retains its coach house and comes with a guide price of £150,000. For another £20,000 or so, there is a second lot with planning permission for a house.

Cluttons also has three old rectories in Somerset for sale by private treaty. One – at Crocombe,

near Wells – has Georgian sash windows, a granny flat, three acres and a tennis court needing repair and netting. Price: around £270,000.

In the south-east, old rectories cost more. At Washington, in West Sussex, King & Chasemore and Jackson-Stops offer one dating from

building both it and the church, and Benjamin Ferry was the architect. With six loose boxes and three paddocks (making 7.5 acres in all), and near Ascot, it is being offered by Jackson-Stops in London for around £365,000.

In Kent, Mountfield House at Sta-

plehurst would have loved it. In the north, Jackson-Stops has three distinctive examples to sell.

One, in pink stucco at Ulverston, Cumbria, has Morecambe Bay lapping below the front lawn (from the Chester office for around £550,000). From the York office, there is a Tudor-Stuart house in brick at Thorpe Bassett (around £250,000), while the other, also in brick and dating from 1885, is at Thorpe Thewles, near Darlington (around £285,000).

East Anglia takes the honours for the greatest range of old rectories. One at Snetterton, Norfolk, is said to have a ghost – a kindly old woman (Jackson-Stops in Newmarket, around £235,000).

Mullocks Wells offers an unusually imposing Victorian house at Abbeystead, near Harlow (Essex) and the M1, for around £465,000; while Bedford has another fine example at Docking, north Norfolk, for around £265,000. John D. Wood is selling a rectory in Burnham-on-Crouch, Essex, for around £340,000 – ideal for yachtsmen.

Bidwells has several, including

two splendid 18th century houses near Holt, Norfolk, from the Norwich office: Foulsham in mellow brick for around £345,000, and Baconthorpe for around £445,000. The firm's Ipswich office offers the old rectory at Thornham Parva, Suffolk (around £170,000). Although built as late as 1852, it does not lack for spaciousness.

Further information from: Bedford, Bury St Edmunds (0284 789 999); Bidwells, Ipswich (01473 611 644) and Norwich (0603 783 939); Cluttons, Wells (0149 678 012); Jackson-Stops, Chester (0244 338 361), London (071 499 6391), Midhurst, West Sussex (0730 812 357), Newmarket (0638 668 281), Northampton (0604 88 991) and York (0904 635 321); King & Chasemore, Pulborough, West Sussex (01905 878 081); Lane Fox, Winchester (0963 889 989); Mullocks Wells, Bishop's Cleeve (0219 763 400); Stanlis, Barnham (0845 983 535); Strat & Parker, Canterbury (0227 451 133) and Morson-in-March (0608 50 500); John D. Wood, London (071 485 4106).

With congregations falling, Gerald Cadogan discovers that not only are there plenty of cast-off Church houses for sale but some of them come with an unexpected bonus

the 1890s – a time when many rectories were built. Its standard Georgian looks (for around £360,000) would be more at home in a town than a village. The Georgian house at Ampfield, near Romsey in Hampshire (Lane Fox, around £390,000) is more eclectic.

By 1854 – the date of the Old Parsonage at Cranborne in Dorset – the style had changed to Gothic although rectories still had plenty of room. Queen Victoria and Prince Albert subscribed to

pleistreet, near Canterbury, is not actually an old rectory, although it might easily be. Gothic, and also from 1864, it has the right dimensions and was the home of a Methodist hymn-writer, Benjamin Gough. Strat & Parker in Canterbury is selling it with a guide price of £250,000.

The same firm's office at Morston-in-March, Gloucestershire, has (with Secombes) the double how-fronted old rectory at Shipston-on-Strour in Warwickshire; offers over £340,000

while another constructed of brick at Aston le Walls is on sale for around £10,000 less (with Jackson-Stops in Northampton).

More unusual is the Dower House in Gayton, near the M1, which the same duo is selling for around £290,000. It is a Victorian Gothic extravaganza built for a headmaster of Harrow school and featuring a steeply-pitched, tiled turret. It would not have been out of place among the school's own outstanding Victorian buildings. Sir John

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TRAVEL FOCUS - GOLF

On course for the greening of the world

WHEN Robert Louis Stevenson wrote that "to travel hopefully is a better thing than to arrive and the true success is to labour," he might not have had in mind those caddies who recently made a circuitous and eventful journey to a professional golf tournament in north Africa.

Their journey started in Scotland on the Saturday before the Thursday on which the tournament started. They drove south to Dover to pick up the cross-Channel ferry before heading to Gibraltar and crossing by ferry to north Africa. So far, so good.

Then their troubles began. Alleged visa problems meant they had to bribe Moroccan Customs officials on arrival and pay out more bribes - ranging from money to cigarettes and candy bars - at every police stop between Rabat and Casablanca. They arrived in Agadir weary, wiser and poorer.

Caddies are reputed to like such experiences. For the rest of us, though, those who travel the world in search of a decent golfing break, be it 48 hours or 14 days - life is usually easier. Book your holiday, allow two hours to clear Customs, have a few drinks and buy an armful of golf mags. In due course you are, with luck, re-united with your clubs in a sunny place.

The expansion in air travel and the growing popularity of the game have combined to make it possible to go almost anywhere, anytime, to play. According to Tony Philo, general manager of Longshot Golf Holidays*, more and more people are doing just that - 60 per cent more than five years ago. In three months, some enthusiasts will fly to Reykjavik to play in the Iceland Open on the year's longest day, when darkness falls for all of half an hour. But if that seems extreme, where else might you go?

Remember, first, that golfing holidays are not holidays with golf: they are holidays for golf - serious affairs in which two rounds a day are the norm. As for places, you could take a couple of nights at Queenwood in the grounds of

Bowood House, the Earl of Shelburne's home in Wiltshire. You would be looked after by a butler and fed by your own cook. Cheaper would be a stay at Andrew and Mary Flint's Boscombe Manor hotel near St Austell, Cornwall, where guests have a practice area with two greens, several teeing positions, a lake over which to hit and a golf net. If you travel by helicopter, there is a landing site.

A step or two up come hotels like the Agadoo Heights in Killybegs, Ireland, or the Butler Arms in Waterville where, within 20 miles, you will find some of the best courses in Co Kerry - which means some of the best in the world. But the traditional destinations are still those outside Britain: Portugal's Algarve coast plus Spain, France and Florida.

The good news from Spain is

John Hopkins looks at exotic sites for serious golfing holidays

that green fees have tumbled in recent years. And, these days, the well-informed visitor taking a golf holiday on the Iberian peninsula books in at a hotel that offers the game as an inclusive facility and not as an available extra.

Stay at the Quinta do Lago hotel on the Algarve, for instance, and you can play at Quinta do Lago, Val de Lobo, Vilasol, Vilamoura and - the newest of all - Pinheiros Altos. At the Dona Filipa and the Penina, two old favourites, green fees are included in the price. This not only saves money; it saves organisation, as well.

Madeira, which has been popular with discerning Britons since the days when access was only by cruise ship, is making a comeback. The first 18 holes of the Campo de Golfe were opened recently and the Madeira Open was played over them in January. Another nine are nearly complete and a further 18 holes will open by September. And Madeira is worth considering for a golf holiday because of the advantages of

its climate, which is rarely colder than 63°F or hotter than 75°F - plus the sybaritic comforts of Reid's Hotel.

The new golfing destinations are places like the Far East, east Africa - where the Windsor Golf and Country Club in Nairobi is making a name for itself - Zambia, South Africa and, increasingly, exotic places like Dubai and the West Indies, one of the few destinations where sunshine is practically guaranteed.

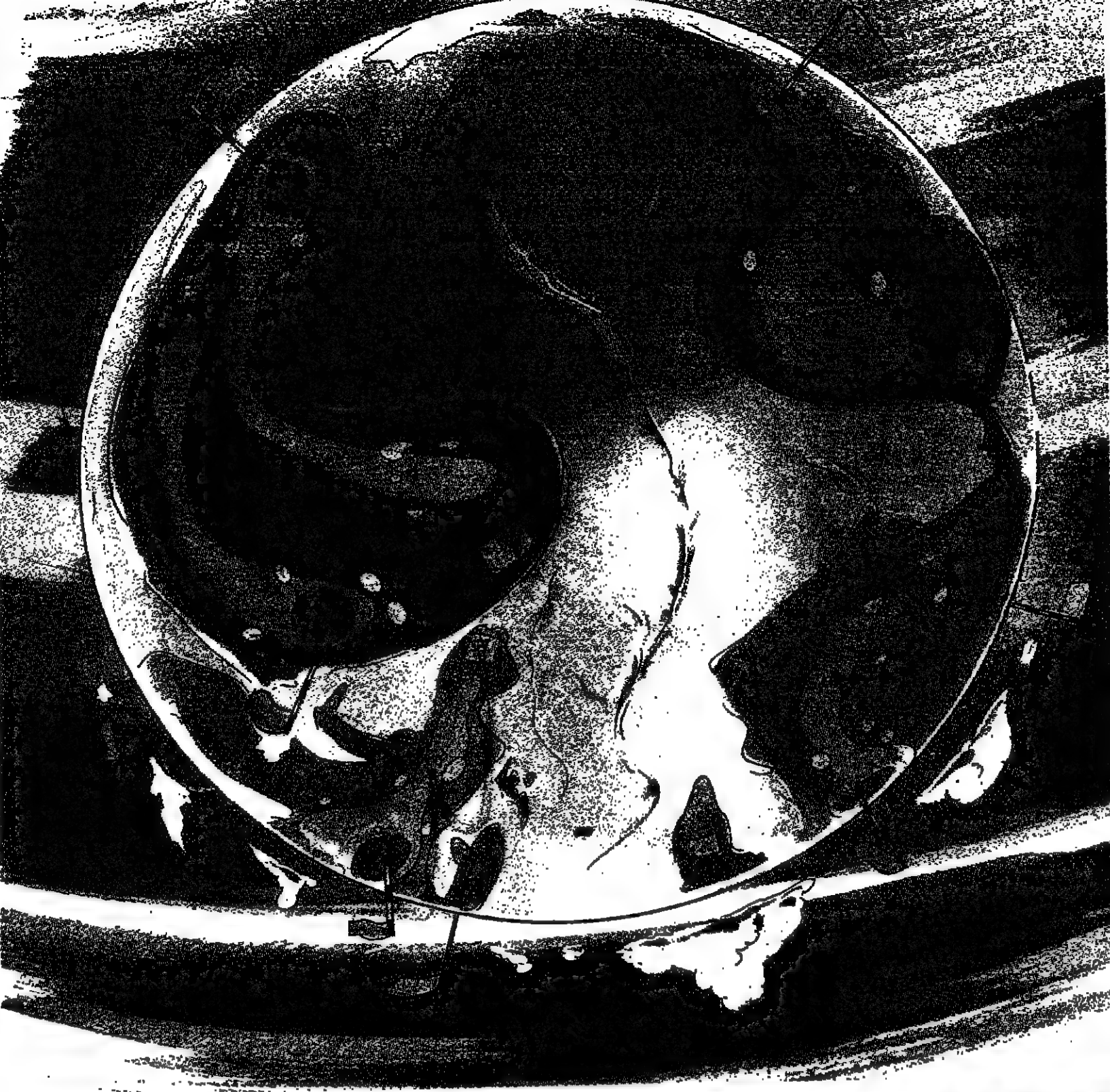
"Golf," said author A.A. Milne (of *Winnie the Pooh* fame), "is the best game in the world at which to be bad." A fat lot he knew. It is the one game in the world at which no one wants to be bad. Everyone wants to be able to hit the ball 300 yards off the tee. As a result, hotels are starting to realise that if they organise clinics, then guests can play and improve their game as well. At Sandy Lane in Barbados next week, for example, an American professional will conduct a clinic. If the venture is a success, there will be another in the autumn.

"One trend among people taking golf holidays that has become apparent recently is that clients expect more quality and better service from us," says Philo. "They want more flexibility in departure and return dates, and in tee-off times."

"They want to leave on any day of the week and stay for any length of time. The days when you could travel to Portugal only on a Thursday and return only on a Thursday are gone. These days, everything must go without a hitch - otherwise, they want to know why."

And so they do. Golfers spending anything up to £3,000 a person per week have a right to expect to be looked after. They are, after all, searching for a new golfing destination that offers a better course than any other, or a less stressful means of getting there, or a more soothing atmosphere once they have arrived. It is a never-ending quest.

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حکومت النظم

TRAVEL FOCUS - GOLF

W E MET just after 8.00am on a windy March morning on the first tee at San Roque golf club in southern Spain. A voice that was definitely not English said "Good morning," and I turned to see a tall, sturdy man with dark hair who was wearing red velvet trousers, white golf shoes and had slung his bag of clubs over his shoulder. He had a slow, shy smile.

Jose Luis Quiros was the caddy-master. Yes, he had played golf for many years; no, he had never had a lesson. He just watched good players and copied what they did - and did so with good effect, for he had a firm, repetitive swing and looked to be a genuine five-handicap player.

As we played we talked, as golfers do, of the course, of our best rounds, our favourite holes. He said he had some MacGregor clubs that were 50 years old. I pulled out a nine-iron I carry in my bag, a Fred Daly model made by John Letters that I bought more than 30 years ago. He admired the face and classic lines of the clubhead and waved his hands, inscribing the shape of the club face in the air.

On the 7th, a short hole uphill, I had the honour and hit a one-iron. It felt good the moment I made contact. I was sure it would be near the putting surface, if not on it. Jose Luis stepped forward to play his tee shot, a quizzical look on his face.

In Spain's golden rectangle

A new course looks set to perfect an already wonderful area for golfers, reports John Hopkins

"You no hit it well," he said. "Pardon?" I said. "You no hit it well." "Pardon?"

We were entering the realms of Basil Fawcett and Manuel and I felt like saying "Que?" in a sarcastic voice. I had just hit the shot of the round, a one-iron that did not just fly off the clubhouse but screamed away as if it was a fighter leaving an aircraft carrier.

I thought he was taking the Mickey. Then the peseta dropped. What he meant was that I had not hit it full out, that I had saved some juice lest I hit the ball through the green. He was right. Phew! The temperature dropped. I nodded, sagely.

We played on and the sun came out to warm our stiff, middle-aged backs. At the 18th I nearly chipped in for a birdie three and Jose Luis raked up another par. We shook hands and shared a coffee in the clubhouse. Then he returned to his duties as caddy-master and I to my room.

The San Roque Suites hotel where I was staying is less than two years old and already a prominent landmark on the road from La Linea to Marbella. As you drive

east it is high up on the left, the inland side of the road, bordering the vast acreage of the Sotogrande estate.

In my view it has two things to commend it. It is very comfortable and well managed by Alex Medina, who formerly worked in hotels in England for nearly 30 years. Its name comes from the fact that it has 50 suites and 50 double rooms, and when I say suite I mean suite. Mine, for example, comprised a kitchen, eating area, sitting room, double bedroom, bathroom with heated marble floor and a separate lavatory. I could swing a golf club, never mind a cat, in any of the rooms.

Still, for golfers, a greater attraction may be its location at the western, less populous end of the Costa del Sol golfing belt, an area which claims to have 325 days of sunshine annually. Within five minutes' drive of its main entrance are two superb golf courses to the east - Valderrama and Sotogrande Old - and Alcaidesa to the west, which could be spectacular once alterations are completed. When you add San Roque's own David Thomas-designed course, the appeal of the hotel as a base for a winter



golfing break becomes obvious. You do not have to take my word for it. In the second week of March, every room was occupied, many with golfers staying there as part of packages organised by Longshot, Eurogolf, 3-D and British Airways.

There is little that can be added about Valderrama, perhaps the best course in Europe. Work progresses daily in pursuit of making it a masterpiece, much of it with the aim of

Sotogrande Old, the stately old course that Robert Trent Jones laid out 30 years ago, is on the seaward side of the Gibraltar-to-Marbella road. Its reputation among courses down on the coast is rather like that of the Queen Mother among Britain's royal family: it is much loved and admired even if it is slightly past the first flush of youth. The new name on this part of the coast is Alcaidesa, which is 15 minutes' drive from Gibraltar.

To measure its proximity to San Roque, I used the micrometer of my car and can report that from Suite 225 at the hotel to the temporary clubhouse at Alcaidesa is no more than 3 1/2 km, two of which comprise the drive from the main road down to the temporary clubhouse. It is a majestic drive, a zig-zagging, tumbling road that took me to the edge of the Mediterranean and on the morning of my visit to the edge of a swathe of sunlight that lay still and shimmering on the surface of the sea.

I was awed by the majesty of what I saw of the course. A frisky wind galloped in off the sea causing the gorse bushes to sway and their yellow blooms to shake uncontrollably. It is one of the

most beautiful and most difficult courses I had ever seen. But the fairways were narrow in places, the carries long, the gorse lapped the edges of some fairways and some of the greens were too severely tilted. No wonder that when some of the gorse was cut back they unearthed tens of thousands of golf balls. On a windy day, and more days than not are windy by the sea, Alcaidesa could be almost unplayable.

Even so, 1,000 rounds each month were played over its 5,500 yards from October last year to February. Work is currently going on to defend the course, altering 14 greens, moving trees, hacking away the gorse, making it less penal.

I climbed into my car and drove slowly back up to the main road, chastened at the amount of alteration work necessary to adapt what is only a two-year-old golf course. It is too early to include Alcaidesa in the golden triangle formed by San Roque, Valderrama and Sotogrande, a triangle that is the most interesting current aspect of golf on the Costa del Sol.

Besides, to include Alcaidesa would alter its geometrical shape from a triangle to a rectangle. But it was something to look forward to - the day when there would be four outstanding golf courses no more than two miles from one another in a part of the world that, to paraphrase Rupert Brooke, seems to be "forever England."

T HE RAIN snatched against the windscreen. It was hard to see beyond the end of the bonnet, so I stopped searching for the golf club and returned to my hotel. We got used to that in Florida in late summer. Torrential rain falls almost every afternoon and is followed within minutes by the sun. Soon the ground is steaming.

I was in the north-east, the Palm Coast-Daytona Beach area. The Palm Coast, two hours' drive north of Orlando, is a parcel of land the size of greater London where ITT is building a community of 30,000 homes. It has tennis, riding, biking, any water-borne sport and five golf courses. I was there for golf.

I had mentioned to David Leadbetter, the well-known coach, that I was going golfing in north-east Florida and he urged me to play Hammock Dunes. The name had a ring to it. "It's great," said Leadbetter, so to play Hammock Dunes became a primary objective.

I started, however, at Cypress Knoll, 25 minutes' drive from the Sheraton (Palm Coast) Resort where I was staying. Cypress Knoll, carved out of swampland, was designed by Gary Player. It has such narrow

Florida's fun, in rain or sun

fairways that I nearly went an entire round without using my driver, something I have never done in 40 years of playing golf. My frustration was offset by the beauty of the surroundings. A heron swooped down in front of one tee. A swallowtail butterfly fluttered past another. There were water meadows everywhere and, apparently, an 8 ft diamond-back rattlesnake.

Next morning I left the Palm Coast and drove south to Daytona Beach. Indigo Lakes is semi-private, which means it is open to anyone for a few thousand dollars in membership. Accuracy was demanded but not as much as at Cypress Knoll. The fairways are generous and some of the greens enormous.

Then it was the turn of Cypress Head, another semi-private course, designed by Arthur Hills in Port Orange, just south of Daytona. Because the water table is so close

to the surface in Florida, any earth that is moved to dig a bunker or sculpt a mound reveals water - the dominant feature on most of Florida's courses.

Not so at Cypress Head. It has holes like those at some of Britain's famous inland courses. Thickets containing oaks, pampas grass, willows, thisie and wax myrtle had to be skirted or driven over and although there was water on many holes, it was neither intrusive nor overpowering. I could play Cypress Head again and again.

Good news awaited me at my motel. I had a starting time at Hammock Dunes the next morning. I celebrated with a swim in the Atlantic. Although it was late afternoon the sand on Daytona's 24-mile-long beach was hot underfoot.

Hammock Dunes is an ultra-private new club on the Palm Coast. It had only 112 members last August,

one per acre. What sticks in my mind is not the excellent condition of the course or the number of challenging holes. Instead, I was struck by the attention to detail on the practice ground. I went to limber up and found a pile of balls laid in such a way that must have taken several minutes to do. It was the same at all of the 15 positions on the practice ground.

Nor is it all golf. Within 60 miles are Disneyland, the Epcot space centre and Universal Studios. This somewhat unassuming part of Florida represents a realistic alternative to Spain and Portugal for a spring or autumn golfing holiday.

John Hopkins was a guest of British Airways Holidays and Destination Daytona. One-week holidays including golf at 10 courses in the Palm Coast and Daytona Beach area start at £589 (flight and hotel) plus £289 for the golf. British Airways Holidays: Pacific House, Hazelwick Avenue, Three Bridges, Crawley, West Sussex RH10 1NP. Tel: 0893-611311; Destination Daytona: 121 Gloucester Place, London W1H 3PJ, tel: 071-636-7766.

The buzz of Madeira

I T MUST be off-putting when standing over a nasty 5ft downhill putt for par on a fast-paced green to hear a yelp and look up to see a Yorkshire terrier ascending skywards in the talons of a large bird of prey.

But this happened to a lady member of the Madeira Golf and Country Club at Santa da Serra, the first golf course on the Portuguese-owned island, which opened in 1991. Chipping on to the green, she tied her pet to a tree and the bird swooped.

Buzzards have been on Madeira for centuries, but golfers are a fairly new species. Madeira is 350 miles south-west of Lisbon and three hours flying time from London. Golf began there in 1947 when expatriates built a nine-hole course to work off the Malmsey and sweet potatoes and work their way up to their post-round *poncha* (a concoction of grated lemon, honey sugar cane and white spirit) or *nikita* (beer, wine and ice cream).

For an island supposedly discovered by a shipwrecked Englishman,

it was inevitable that the British golfing influence would follow. The nine-hole course of 1947 has now become the yellow Serras course and final loop at the 27-hole, 8,100-metre Santa da Serra club, chosen to host the inaugural Madeira Open and first event of the 1993 Volvo PGA European Tour.

"We offer year-round golf, not just winter sun," says marketing director Tony Barton. It is a typical resort course: not too easy, not too hard. And it is very pretty. It is like Woburn-by-the-Sea.

Although Madeira boasts a continuous English summer, V-necks are required if you are playing early in the morning at Santa da Serra, because it is 2,500m above sea level and can be pretty nippy. Driving skills are another recommendation.

Level ground is not easy to find on Madeira, and Santa da Serra, designed by Robert Trent Jones, is a challenge to high and low handicappers alike, especially the 47th par-five 3rd which calls for a drive over part of the Machico Valley.

Opening soon, adjoining five-star hotel and golf village with 30 luxury villas which can be built according to the owner's design. There will also be a bowls green, a driving range, swimming pool, tennis and squash courts, stables and equestrian centre - even a BMX track.

The Woburn-by-the-Sea feel will be reinforced when Madeira's second course opens at Palheiro in September, created by Cabell Robinson around the sub-tropical gardens. Palheiro overlooks Funchal Bay, Reid's Hotel and its lift to the beach can be seen from the 18th green.

For further information: contact Anthony K Barton, c/o Campo de Golfe da Madeira, P/L, Santa da Serra, 9100 Santa Cruz, tel: 091-552345/6, fax: 091-552367; Cadogan Travel (UK) tel: 0703-332551 or Longshot Holidays (tel: 081-651-4494). GB Airways operate twice-weekly flights from Gatwick, reservations: 081-897-4000.

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HEATHROW: When on a drizzly autumn day, I am not a nervous flyer, but as I strap myself into my seat on Swissair Flight 831 I feel a growing apprehension. What bothers me is not the flight but what lies at the end of it - Switzerland.

For me the allure of travel is the allure of the unknown. I like hopping on planes because it is the easiest way I have found of trading the known and repetitious for the surprises of the one-off. I enjoy travel because it never turns out the way I think it will.

Hence my hesitation about Switzerland. For all I have heard of it, this is the land where the unknown never happens. No anything that is unorthodox, extreme, risky or likely to inflame the passions. The essence of Swissness, it is sometimes hinted, is blandness.

Who, after all, I ask myself, invented muesli? The Swiss. Who invented orthopaedic shoes, Calvinism, fondue parties? Who plays the dreadful alphorns? Who are so precise, punctual and reliable that they have become the world's timekeepers? Who are so meticulously diligent that they are the world's bankers? Switzerland, I fear, might turn out to be a very dull place.

EARLY evening: the summit of Mont Vully. I have climbed my first Swiss mountain. Granted, it is smooth and grassy and only 633 metres high. But it has given me the elevation I need to see things clearly.

I have changed my mind, turned 180 degrees. Switzerland, against all expectations, is a wholly untoward kind of place. The stories are true - this is a country of benign orderliness, efficiency, punctuality, conformity and hygiene. But it is precisely this world respectability that makes Switzerland so remarkable.

Perched flat on my stomach over a serene landscape, I reflect on the world in its present limping state. In a world where everywhere the nasty and unexpected are now the norm, a land of no surprises is surprising indeed. In its very predictability, Switzerland has become an exotic and intriguing place.

Tiny Switzerland's distinctive morals, manners and institutions are not without reason. It is artificially composed of disparate groups

sharing no common language, religion or ethnic background. Its 800-year history is a litany of uncertainty, of bullying and invasion by large and aggressive neighbours. It possesses no natural resources and depends for its livelihood on markets over which it has no control. What has shaped it is an over-riding need for well-being and security.

Nowhere is Switzerland's profound conservatism more striking than in the country's landscapes. Meticulously arranged and managed even in the wildest of areas, the land is the object of an aesthetic sense of order reflecting the nation's anxieties - the making of a safe, sure world. In transforming the threatening into the reassuring, the Swiss have created an astonishing

beauty. For the visitor, Switzerland is, above all, a visual adventure.

Little Mont Vully has nothing to do with the Switzerland of rearing peaks and gingerbread chalets and high alpine pastures. It sits between Lake Neuchâtel and the modest lake of Murtensee in an area more renowned for its market gardens and vegetables than anything else. But it is gorgeous.

Geometrically precise rows of cabbages and corn are tended so royally that the gardens of Versailles. To protect them from birds, the vineyards that slope down to the Murtensee spend the summer covered in what look like outsize yellow balloons. From barns to bakeries, buildings spill over with the countless red blooms of flower-box geraniums.

Over on the other side of the Murtensee, medieval Morat, a town of red spires and watch-towers, gilded town clocks and decorated fountains, floats on an evening mist building over the lake. Morat's streets, restored to their original finery, are immaculate.

Wait Disney himself could not have done a better job. Everything depends on artifice and attention to detail, and, strangely enough, it all

feels natural and right. In this highest of high-tech countries, not even the cows wandering over Mont Vully with ridiculous, old-fashioned bells around their necks seem in the least embarrassed.

Lake Lucerne: on board the ferry *Unterwalden*. I have spent years watching swans and ducks in London's parks, and never know how they fed or moved under that waxy water. Now I do. In the crystal-clear waters of Lake Lucerne, I see swans plunge their necks downwards and sweep the bottom with their bills, watch flocks of ducks use their wings to swim along under the surface as if in flight. It is an astonishing sight, and this one of the loveliest lakes in the world.

I am usually reluctant to do every tourist thing like taking boat tours and riding miniature trains to mountain viewpoints. But Switzerland is fast breaking my resistance - such pursuits here are not so much corny as heart-stopping.

Like the swans bobbing along beside it, the 80-year-old side-paddle steamer *Unterwalden* is all elegance above the water and furious effort below. Through an open-topped engine-room I watch polished pistons rise and fall and paddle-wheels thrash their way through limpid water. They take me past flower-laden lakeside villages basking in the autumn sun, châteaux perched on forested promontories, mountains soaring skyward from the lake's edge.

At the little town of Vitznau I too, soar skywards, in a cogwheel train that climbs impossibly steep grades. I sit facing backwards. In no time at all it is as if I am looking at the lake through the wrong end of a telescope. I travel nearly 2,000m to the Rigi Kulm, a mountain summit from which the entire country spreads out, tiny and surreal.

Rigi has been famous for a long time. Mark Twain climbed it last century to see the sun rise over Switzerland. He got lost in the dark on the final ascent and waited anxiously until mid-morning before he realised that the glorious event had taken place on the other side of the mountain. Twain swore forever more that in Switzerland the sun rises in the west.

THE Hofbahnstrasse, Zurich: Not all Switzerland is a temple to



The steamship *Gallia* on one of the world's loveliest lakes - Lucerne

nature. There are about 1,700 Swiss banking corporations, and most of them seem to have branches along the Hofbahnstrasse. These temples to money have grey walls, lofty ceilings and a sense of dignified purpose to a street of busy trams and hurrying people. I am disappointed in the gloom of Zurich. Who invented the phrase? In my mind I pictured them as strange, cunning creatures with identifiable signs - long ears or curling toes. They are like men in grey suits anywhere.

My room at the Neues Schloss Hotel is another kind of temple, a temple to technology. There are a hundred minor wonders such as its electric window blinds. But the crowning glory is the Closomat - a

fully automatic, high-tech toilet. It is so complex that it comes with a book of instructions. Once it is mastered, however, one literally sits back and enjoys its warm water jets and air driers do all the rest.

MORCOTE, on the Swiss-Italian border. Can this still be Switzerland? In a short drive over the St Gotthard pass I have driven from a Norwegian to a Spanish-style climate. Gone are the pine trees and the steep-roofed chalets. In their place on the sub-tropical shores of Lake Lugano are palm trees and ornamental bamboos, Italianate houses in rich ochre, sienna and magenta, huge lunch-time dishes of polenta and risotto.

But I do not have to look at plants or houses or food to know that I am back on the edge of the real world. I only have to look at people and their behaviour. I have just seen a local driver reverse in the wrong direction down a one-way street. It is a sure sign that I am not far from the general disorder, confusion and non-conformity that makes up most of the planet.

Swiss life, so sane and predictable, ends up being the oddest life of all. But once again it has reaffirmed my faith in travel, which never turns out the way one thinks it will.

Nicholas Woodworth travelled with Swissair (Tel: 071-734-6737), which has 11 flights daily from London to Switzerland. Standard economy fare: £340 return. Apex

fares begin at £119. Information can be obtained from the Swiss Centre, Swiss Court, Leicester Square W1V 3EE. Tel: 071-734-1921. The Swiss National Tourist Office at the Swiss Centre provides guides offering a wide range of accommodation. Its *Simple and Cozy* guide, for example, lists guest houses costing no more than a British B & B. It also has listings of apartment rentals by the week, Swiss farmhouse holidays and inexpensive resort holidays.

There are plenty of package tours available. For example, Swiss Travel Service (tel: 0920-663971), the leading specialist, is featuring 34 Swiss resorts in this year's brochure and spotlighting a no-surcharge guarantee.

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BOOKS

A Taj Mahal of a novel

BOOK-reviewers tend to be paid at a rate appropriate to the length of their reviews rather than that of the book they are reviewing. A few more novels like this one and we shall need some clause compensating us in the case of books that make demands "deemed to be beyond the normal course of duty".

Never can a variant of that old Hollywood formula "Boy meets girl. Boy gets girl. Boy loses girl. Boy gets girl" have been stretched to such inordinate lengths. Here the story-line is: boy (charmer, fellow-student, Moslem) meets girl (beautiful, English literature student, Hindu); gets girl in spite of maternal opposition; loses girl; nearly regains girl but loses girl finally to Suitable Boy (solid, reliable, all set for successful career in the shoe-manufacturing business, Hindu, right caste, but lacking charm or glamour).

Seth is the latest instance of an Indian writer, steeped in his own indigenous tradition, who has been through the mill of a British and American education, (Dun in India, then Tonbridge, Oxford, Stanford and Nanjing University, China). Such a writer tends at the outset to look to English and other European literatures for models and to say to himself: "Anything you can do, I can do... if not better then at least longer." Salman Rushdie, you may recall, took for his model Sterne's *Tristram Shandy* with far-reaching results.

The early model for Seth was *The Tales of Pushkin*. They provided the inspiration for *The Golden Gate* - a novel he wrote in verse about the inhabitants of California's silicon valley. It was published here in 1988 by Faber. Seth's witty stanzas were a neatly plotted tale of a broken marriage, a homosexual affair and a ferociously possessive cat. The notion of writing such a story in a rigid metrical form must have seemed to be the greatest commercial folly. Only a publisher with its own *Cats* to fall back upon would have been prepared to under-write it. But Seth put himself on the literary map with this *tour de force* and it has by now sold a cool 150,000 copies.

The immediate models for *A Suitable Boy* are 19th century novels like *Madame Bovary* and *Anna Karenina*. Although everything is rooted in the growth of a love-affair, with the heroine occupying the centre of the stage, her forbidden passion is viewed in the context of the moral, cultural and political attitudes of a whole society. The city where she lives is the centre from which the reader beholds a social structure whose boundaries are those of the aristocracy at the top, the bourgeoisie in the middle and the peasantry at the bottom.

Seth's heroine, Lata, comes from a well-to-do Hindu family many of whose members hold important positions in newly independent India. She is a student at the university of Brahmputra - an imaginary place somewhat reminiscent of Patna and Brinkipore. It is few hours railway journey to Calcutta. The contrast between the life-style of the smart "permissive" Bengali society of her brother's wife's family with whom she stays and the restricted provincial life of her home near the campus where she meets the handsome unsuitable boy she falls in love with, is done with a precision of detail that would earn Seth full marks from his French and Russian masters. It is one of

many such contrasts of ambience in the depiction of the four families whose members are singled out for close scrutiny. They are surrounded by this novel's hundred or more subsidiary characters, mainly Indian but also one or two British who have stayed on.

Tolstoy contrasted adulterous Anna with virtuous Kitty, and arrogant Vronsky with likeable Levin. Seth has several alternative heroines to Lata up his sleeve and he produces them one after the other as he develops the narrative along pairs of parallel lines. There is the music-loving courtesan whose scented drawing-room is so sensuously described; there is Sava, Lata's sister, a young, happily married woman about to give birth to her first child; there is cynical, delectable Meenakshi, her sister-in-law, nonchalantly deceiving her husband, a member of the Shady Ladies' Club; there is the Moslem wife of the idealistic Urdu teacher whom

A SUITABLE BOY
by Vikram Seth
Phoenix House £20, 1,349 pages

we hardly see since her creed prevents it, but whose fate is nonetheless every bit as poignant as Lata's.

A similar multiplication of themes occurs. Apart from its fictional virtues, the book may be read as a gloss on the violence in India today; much of it stems from the period the novel illuminates, the early 1950s when the problems inherited by the first all-Indian governments were at their most acute. Then in the same depth there is the world of the campus, with its own ruthless political manoeuvring and an eccentrically distant mathematical genius (lover-boy's papa) thrown in for good measure.

But away from academe and government, Seth seems just as at home in the world of agriculture and sweated farm labour, the abuses practised by the *samantars* (revenue collectors) on behalf of the great landlords. Yet another dimension comes in the descriptions of religious fundamentalism in action, the ceremonies lasting several days and drawing vast, unruly crowds on the banks of the Ganges. And depicted in most detail of all is the world of shoe-manufacturing (Seth's father's occupation), with its domination at the top by *enigme* foreigners. It is used brilliantly as a metaphor for India's industrial problems as well as the Suitable Boy's. The SB also has a Hindu rival - a young poet, beginning to make a big name for himself, clearly a portrait of the author, but he drops out of the hunt for no very satisfactory reason that I could see.

But I could easily fill the whole of this page merely describing the amazingly rich content of the novel. Yet it remains so readable because the prose is always direct and incisive. Does it all hold together? Yes, it does, amazingly enough - rather like a Taj Mahal made out of Lego. Some parts are detachable. One section has already been published as a self-contained long short story. The controlled energy of the writing carries one over the melodramatic clichés of plotting to which Seth resorts to sustain his narrative. All in all, it is an outstanding achievement for which he deserves the warmest congratulation.

Anthony Curtis

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Our critics assess new biographies of two of this century's best-selling women authors

Mistress of Menability

DAPHNE DU MAURIER
by Margaret Forster

Chatto & Windus £17.99, 435 pages

LETTERS FROM MENABILITY
by Oriel Malet

Orion £18.99, 303 pages

knight but he was still "a theatrical" and therefore not quite top-drawer. She herself recounts (but Forster does not) how she shocked the people of Fowey in the late 1920s by walking around the town not only hatless but in shorts. Her first lover, the young film director Carol Reed, the illegitimate son of Herbert Beerbohm Tree, would have made a good match. Instead, she married a handsome martinet who had already fought in the First World War and ended the Second as Major-General Sir Frederick Browning.

There have long been rumours about the unhappy-

ness of this marriage, citing Browning's philandering and later his drinking. The biography reveals that sexual relations (known as "Cairo" in du Maurier code as opposed to lesbian ones, which were "Venice") were never resumed after the war - more from inertia and shyness than anything else. Sir Frederick's work as Royal Equerry kept him in London all week and his demeanour at Menability on weekends earned him the nickname Moper. Because of her writing - now their main source of income - and her love of the seclusion offered by her Cornish home, Lady Browning could seldom be tempted to London, so it is not surprising that things fell apart. But, with typical loyalty, she forgave him his peccadilloes and nursed him to the end.

Menability was the biggest folly in her life, a dark and dilapidated house which she

acquired in 1943 on a two-year lease and into which she poured money - £30,000 on the roof alone - as if she owned it. She refers to it as "my rat-ridden ruin", and the myth of a Rebecca-like life of elegant luxury is shattered. She was oblivious to domestic chaos, never bothered with central heating, and when she finally moved to the dower house at Kilmarth in 1969 she was amazed by its warm, sunny rooms.

Ms Forster's revelation that Daphne enjoyed "Venice" with Gertrude Lawrence - if only during one care-free weekend in Florida - and fell in love with Ellen Doubleday, will not

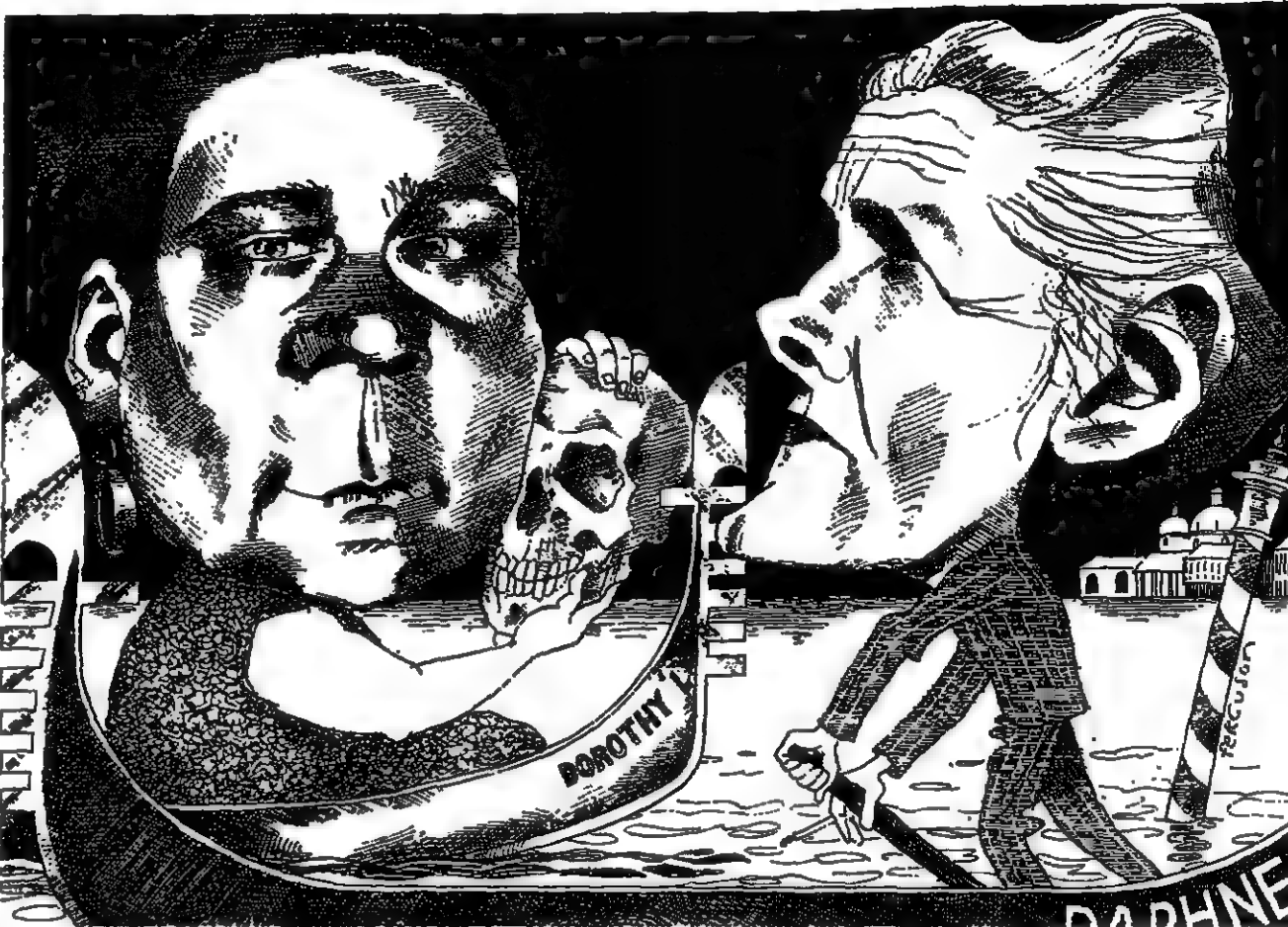
surprise those who have always thought of her as first and foremost a writer with a cavalier attitude to domestic duties and motherhood.

A far livelier, if less comprehensive, portrait of the writer can be found in *Letters from Menability*, written to her friend, the novelist Oriel Malet, who adds her own commentary (to be published in May). They are full of irritating du Maurier slang and half-baked philosophy but there is nothing in the "official" biography to match these vivid and sometimes irreverent pictures of her curious existence at Menability and Kilmarth. "Do tell me," she asked Oriel Malet wistfully in her dotage, "did I write *Gone With the Wind*, or was it someone else?"

Margaret Forster is reluctant to take Daphne du Maurier seriously as a writer; if she has any opinions about the quality of the work, she keeps them to herself. I suspect that she is not a fan. She is certainly wary of making judgments and seems to consider that the fiction is adequately dealt with by old-fashioned psychological readings. Knowing that Rebecca was sparked off by Daphne's jealousy of her husband's previous fiancée does not help us to understand the novel's extraordinary and enduring appeal.

Not only has Margaret Forster produced a strangely muted portrait of a particularly colourful character, she makes us suggestions as to how and why the best of these books became and remain so popular. Daphne du Maurier's diction is alternately clumsy and wooden; she has no ear for dialogue, an erratic sense of history and a weakness for stereotypes. Yet, in her best work, the superb story-telling, her dramatic use of nature, her strong sense of place and her ability to evoke evil, put her in a Romantic tradition that goes back to the Brontës. It is surely the business of a major biography to address these contradictions and place the work of its subject in an appropriate cultural context.

Alannah Hopkin



Bring on Wimsey and Vane

THIS IS the centenary year of Dorothy Sayers' birth. To mark the occasion, eight of her Lord Peter Wimsey novels are being reissued in paperback simultaneously with publication of this new biography by the head of the Dorothy L. Sayers Society.

Sayers was born in Oxford but raised primarily in a remote vicarage in the fenland of East Anglia. She enjoyed what she called an "Edwardian childhood, solitary but happy, within an indulgent, civilised family. Everyone - from her parents, cousins and aunts to her governess and the gardener - was mobilised as dramatic foils for her starring roles."

Sayers went up to Somerville in 1912; Oxford was later to serve as fodder for one of her most accomplished stories, *Gaudy Night*, where Harriet Vane returns for a visit to her old college.

Except for the odd belltower captain who honours the accuracy of her Kent Treble Bob Majors in *The Nine*

Tailors, Oxford itself remains ambivalent toward Sayers. Her wickedly observed (and reportedly all too accurate) portraits of contemporary Somerville personalities in *Gaudy Night* are echoed in her descriptions of "Spooner looking as mad as usual" and "Dr Dixey looking like a walrus" at *Enchanted in 1913*. But one may forgive Sayers a great deal for the words she borrowed from the degree ceremony to create that most elegant of all fictional marriage proposals: "Place me, my dear."

After graduating and a spell at teaching and reading manuscripts at Blackwell's, Sayers moved to London where she encountered a series of unsatisfactory men. One of them, John Coursons, was a Russian journalist and writer on the fringe of London's literary scene. Coursons ultimately failed to return

Sayers' passionate love, and from her later chiding remarks it seems just as well: "You were a rotten companion for a poor girl. You wouldn't go to the theatre and you wouldn't talk nonsense."

Although Coursons had wished them to become lovers and use contraceptives, Sayers insisted that no "taint of the rubber-shop" should interfere with the creation of their child. Then, with consummate irony, she became pregnant while on the rebound. While it has been known that Sayers bore a son out of wedlock, the identification of the father was never made clear, apparently in deference to the wishes of their child, John Anthony. With his death in 1984, it must have been decided that all could now be revealed. In something of an anti-climax, the father turns out to have been one Bill White, a motorcycling man of action

whom Sayers did not love, and who died "in rage and misery" upon learning she was pregnant.

In addition to the centenary, this revelation appears to have been the catalyst for this latest biography - which, alas,

DOROTHY L. SAYERS: HER LIFE AND SOUL
by Barbara Reynolds
Hodder & Stoughton £25, 398 pages

it does not justify. The book often seems more absent-minded pastiche than biography, as if intended to be read with previous writings about Sayers in mind. It is often necessary to refer back to James Brabazon's 1981 biography to find out what is actually going on, and indeed the author herself often relies on Brabazon for interpretations (and

quotations). Reynolds, an Italian scholar, may be more at home with a text than a person. Her lack of empathy often causes her to cling obstinately to the sunny persona of Sayers' letters when a more complex analysis is required, and even when contradicted by Sayers herself.

Worse still, and unforgivably for a Sayers biographer, Reynolds' lack of any sense of dramatic occasion allows major events in Sayers' life to occur off-stage; among other omissions, readers are deprived of witnessing her growing success as a novelist, the deterioration of her marriage, and finally even her obituary tributes.

When Reynolds comes to the period to which she was an eye-witness, she becomes incomprehensibly coy. For the last 14 years of Sayers' life, Reynolds collaborated with

her on translating Dante's *Divine Comedy*, yet she polishes off their time together in just 12 pages, referring readers to an earlier work for a full account.

I long ago decided that people could be divided into Peters and Harriets: the one mercurial, elusive, and fey; the other straight-browed, steadfast, literal. Reynolds claims that Harriet is "in many ways a projection of the author". A similar case can be made for Peter, as Sayers confesses: "When I was dissatisfied with my single unfurnished room I took a luxurious flat for him in Piccadilly. When my cheap rug got a hole in it, I ordered him an Aubusson carpet." Sayers managed to be both quixotic and sound - the whole somehow much more than the sum of her reported parts. Despite the manifest sincerity of this latest tribute, Sayers is still seeking her biographer.

Ann Geneva

Malcolm manipulated

MALCOLM X, eternally a black hero, was the part-white child of an unhappy family whose inherent brutality denied him both security and self-respect. He became a teenage hustler, a scared kid, a swaggering thief who struggled to conquer his many fears. Imprisoned at the age of 20, he slowly improved himself. Motivated by an extraordinary effort of will, he became an autodidact, an ascetic, a campus debater and a popular philosopher.

Released six-and-a-half years later, he devoted his considerable energy to the Nation of Islam, a black religious movement many of whose tenets were unrecognisable to true Islamic scholars. It was headed by the Reverend Elijah Muhammad, who quickly recognised the talents of his new recruit and made him his national representative. Malcolm soared above his origins to become one of the important political figures of his time. He

proved to be the most effective minister the Rev Muhammad had ever recruited; even Cassius Clay, who came in much later as Muhammad Ali, could never replace Malcolm.

The story ends as the final act in a familiar American tragedy. Rev Muhammad, like other founders of idiosyncratic American churches, turned out to be a disappointment: the pillaging head of a wealthy clan whose income was the flow of cash from his followers. He fiercely defended his lucrative crown against what he perceived to be the threat of usurpation by Malcolm X. Yet it was Malcolm who achieved immortality by dying a martyr, assassinated in Harlem's Audubon Ballroom in February 1965. He was not yet 40.

Bruce Perry's scholarly book seeks to demythologise Malcolm's autobiography. Its fasci-

nation lies in its analysis of the hero's early life, first as Malcolm Little, then as convict. It exposes his internal contradictions. To some of the observers quoted in its pages Malcolm X was so fair-skinned as to be almost mistaken for white, a proposition both supported and belied by photographs in *Malcolm X: The Great Photographs*. He made headlines by preaching for Rev Muhammad against "white devils", yet eventually abandoned his racism and acknowledged that not all whites were evil. His autobiography depicts him as a family man; Perry piles on the evidence that suggests he was cold, often cruel, to women.

It is not surprising that some of his posthumous admirers manipulate his memory in the interests of politically correct propaganda. I have not seen Spike Lee's film, but his book reproduces the screenplay by James Baldwin and others. This appears to ignore Perry's findings, perhaps in the interests of further mythologising the myth.

It needs no such assistance. It is right to acknowledge his greatness, but not to deny the complexities and inner tensions that arise from his tortured character. His achievements are a matter of record, but so is his career as a political chameleon. During most of his publicly-witnessed lifetime Malcolm was known as a black nationalist, a preacher for black separatism, and an anti-white, sometimes anti-Semitic, rabble-rouser. In his later years, when he had abandoned much of this, he joked that his contribution to the civil rights movement was that he frightened the white establishment into accepting the integration-



Malcolm X: political chameleon

ist demands of the Rev Martin Luther King Jr. Perry knows that history will be more appreciative than that. Malcolm X "mobilised black America's dormant rage and put it to work politically".

MALCOLM
by Bruce Perry
Stanton Hill Press, 342 pages

THE AUTOBIOGRAPHY OF MALCOLM X
as told to Alex Haley
Penguin £5.99, 512 pages

BY ANY MEANS NECESSARY
by Spike Lee
Vintage £7.99, 314 pages

MALCOLM X: THE GREAT PHOTOGRAPHS

text by Thulani Davies
Stewart, Tabori and Chan £14.99, 167 pages

he writes. "He made African-Americans feel proud of their color. In his effort to fashion a remedy for his self-hatred, he fashioned one for them."

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Welles on Welles

DO WE laugh or cry at *This Is Orson Welles*? Probably both. This is the conversational swansong of a master filmmaker, but tears keep turning to chuckles at Welles's sense of the ridiculous about cinema. For 500 pages he holds forth on every subject, from *The Magnificent Ambersons* to amateur magic, from radio drama to Rita Hayworth, from the tricks of filming snow scenes (white cornflakes in *Citizen Kane*, refrigerated sound stage in *Ambersons*) to the trials of spending too many years in the Hollywood sun. On the way, he reveals more about the secret currents in his own cinema than an armada of biographies have done, before and since his death in 1985.

"Last" is not quite the most just for this interview tome. It was edited by Jonathan Rosenbaum from conversations Welles had with critic-filmmaker Peter Bogdanovich in the late 1960s/early '70s. When both men became too busy to tidy it for publication, the manuscript hung about, then got lost for five years, then found again. But the book will surely be the "last" published work starring Welles's own voice.

As in Truffaut's *Hitchcock* opus, the movies are dissected and demystified by the man who should know. Lucky

THIS IS ORSON WELLES
by Orson Welles and Peter Bogdanovich
HarperCollins £20, 519 pages

accidents and the inspirations of others are confessed; auteur theories are taken to the cleaners. But it is not all deprecation of his own genius. The more the book barrels along, with Welles protesting the long interrogation sessions (Bogdanovich: "How about Fellini?"), Welles: "How about a little rest?"), the more a new and self-revealing film-maker emerges.

It is easy to see why Welles earned the old image of a showman-dilettante: too much success too young, too many unfinished projects left unfinished. The world is still picking over the bones of *Don Quixote* and *The Merchant of Venice*. And if he were picking over *The Other Side of the Wind* too, his roundly brilliant dark comedy about film-making starring John Huston and P. Bogdanovich, if only it could escape the tied-up negatives and see the material.

But Welles rejects the role others have cast him in: that of an eternal dilettante, a playboy of the western cinema. The reasons for unfinished films are painfully explained. And Welles's own taste, far from favouring the gimmicky, prefers the elegant *Ambersons*, the tricky *Kane*, the rueful *Chimes At Midnight* to the bizarre *The Lady From Shanghai*. He also claims co-creativity for some movies that do seem like empty pyrotechnic displays. He

defends *The Trial* - often viewed as an example of European Expressionism gone bananas - as his most personal film: a bleak human comedy rather than a piece of high-camp Kafka-Gothic.

If we believe Welles - and the man who radio-broadcast a nation with *The War Of The Worlds* requires pluck of salt - he was a gifted dreamer, woken too soon by the realities of a philistine business. There are two horrible sad passages in the book. In one Welles gnaws his heart over the multi-picture deal he thought would follow *Touch Of Evil* in the late 1950s, but which Universal dropped on seeing the finished film. "It was just too dark and black and strange for them".

In the other, Bogdanovich recounts a late-night screening of the studio-butchered *Ambersons* that he and friends watched with Welles present. Or almost present. The film's creator hung back, made some barbed comments, vanished into another room, came back, then spent the remaining film looking out through the darkened window. His eyes were moist when he turned round at movie's end, says Bogdanovich.

We can wonder about how much Welles, the master artist, confessed even these theoretically intimate moments. What we cannot wonder about is the evidence of Welles's greatness before us on screen. It was not just technical bravado and a flair for alchemising image into metaphor. It was the sense of human existence as a single, ironic sweep: giving us the time-lapse segue of *Kane*, the compacted social history of *Ambersons*, even Harry Lime's Welles-scripted speech in *The Third Man*, aphoristically colliding Renaissance Italy with cuckoo-clock Switzerland. "It's not that the world's so small," Welles muses at one point to Bogdanovich, "it's that history is so short. Four or five very old men could join hands and take you right back to Shakespeare".

But summing up human history or another human life in a dry snapshot is easier than doing the same with one's own life. What makes us laugh in this book is Welles's exposure of the little local impostures that add up to the ephemeral lunacy of "success". Like his story of Churchill standing up by pre-arrangement in a Venice hotel whenever Welles passed by. Object, to impress potential backers.

But what tugs the heart is the regret of a great artist for all the great art he never made: for a life that gradually turned to unfulfilment and hollow fame. Citizen Welles, by making *Citizen Kane*, became his own self-fulfilling prophet. Bogdanovich even reminds us, in a postscript to the book, that Welles chose to have his ashes scattered 4000 miles from Hollywood on a Spanish farm where he had once been happy as an 18-year-old boy.

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ARRANGED on a crude metal factory stand are grimy crates stencilled "Product of Chochreh Feyzjou", alongside is a gigantic rack supporting rolls of stiff fabrics, and scrolls of unintelligible broadsheets are arranged on a wall. The installation suggests a workshop, perhaps a print workshop. But on looking more carefully, you become aware that the blackened objects so carefully arranged in boxes are in fact hair, feathers and other substances blackened with grease, not the tools of a mysterious trade.

Chochreh Feyzjou, like the other artists in the brave and important exhibition by Foster at the Ikona Gallery in Birmingham, is a New European with a tale to tell that embraces both native and adoptive cultures. Born in Teheran but educated in Paris, Feyzjou evokes the history of the in-between; not a personal history, but a mock-industrial history of impossible processes and never-to-be-invented artefacts that could be placed in Iran, in Europe, in this century or that. The objects so carefully arranged in the boxes to simulate usage are the fetishised products of displacement. She applies the language of systems to things of the imagination.

Systems of order are also the subject matter of Carlo Capelan. Stiff pieces of European furniture are formally placed within a mud-walled room. Display cases, a machine-made Turkey carpet, couches and desks are the pompous intruders in this "ethnic" space, where piles of textbooks around the periphery of the room are held down with stones. On the mud walls are quotations from post-colonial theory and ethnology: James Clifford, Jonathan Friedman, Luis Camilleri, Gerardo Masquero. Within the old-fashioned cabinets are museumological displays: nail parings, wax spills, twigs, wax-stoppered bottles containing the ashes of burned books. Some of the texts on the wall have been blanked out. At the entrance is

THIS WEEK, the Shropshire market town of Oswestry celebrated the centenary of the birth of its most famous son, Wilfred Owen, poet of the pity of the Great War, with an evening of readings at the Marches School.

It was a great gathering of poets, biographers and other ancillary services: Jon Stallworthy, editor of the poems and author of the official biography, Dominic Hibberd, editor and biographer of Owen's last year; Susannah York, actress; Patricia Beer, Devonian poet; and, last but not least, Ted Hughes. The evening was topped by the Bishop of Shrewsbury.

Stallworthy, square-jawed and looking raffish in a tan leather jacket, led off with biographical glimpses of Owen as a boy and youth - his frustrated wish to attend university; his loss of the Christian faith. Unfortunately, Stallworthy has too much of the sil-

WILFRED Owen is one of my private heroes, but I was surprised at the comprehensive marking of his centenary. On Sunday, Radio 3 gave a fine two-hour biographical feature presented by Dominic Hibberd. It covered his youth - a home with evangelistic leanings, a harmless affair with a chorboy, a nervous breakdown, a job teaching English in France - in 1915 yet, oddly careless of the war. He was sorry for the French troops, but the British were "only Tommy Atkins", mere soldiers. Yet he enlisted in the Artists Rifles, commissioned, and won an MC on the Somme. Shell-shocked, he was sent to recover in Scotland. From here on he was more intimately observed in Radio

4's Monday play, *Not about Heroes* by Stephen Macdonald, virtually a dialogue between Owen and Siegfried Sassoon, another shell-shock victim (James Telfer and the author). Sassoon coached him into trying something more concerned with reality and his best work came when he went back to the front, where he was killed in action a week before the Armistice. Some of it, together with his letters, will be read by Kenneth Branagh on Radio 3 in the coming week. Detectives are commoner on

the BBC than poets, and two more turn up this week. On Wednesday Radio 4 gave the first of four parts of P.D. James's *Cover Her Face*. Detective Adam Dalgleish did not appear in this part, but the *Radio Times* told us that Robin Ellis, who is to play him, was jolly good in *Poldark*. I have heard the whole story (transmitted by Neville Teller) on a BBC Radio Collection cassette, available from April 5, and he is good, among a splendid cast. His problem begins with a cheeky servant-girl found dead in a locked room.

Thursday's new investigator, in *The Blackburn Files* on Radio 4, is firmly working-class, a retired Yorkshire policeman. He only investigates who is stealing flowers from an allotment, but Stephen J. Blackburn (Pintime Fontayne) keeps it firm. For addicts of detection, the week also gave Detective-Superintendent Thorne on Monday, solv-

included a shared habit of using illness as a solution to all difficulties. It seems that on almost every one of his last five birthdays Owen was ill with some hypochondriacal reflex or other - until 1918, the last year of his life, and the one in which he produced his miraculous war poetry. By this time, he had learnt to face down his own devil.

Up to this point, the evening had consisted not so much of calling up of the spirit of Owen as a laudable flourish of Oswestry civic pride in having owned by the mere fact of his having been born and lived briefly there, such a marvellous writer. The last two readers, Patricia Beer and Ted

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ing another problem set him by John Penn; Sherlock Holmes on Wednesday in *The Solitary Cyclist*; and on Friday Dr Keith Simpson, the detecting pathologist, with a strangled hitch-hiker.

More serious was Radio 3's Sunday play, *The Lovesong of Alfred J. Hitchcock*, by David Rudkin. We are in an imaginary film studio, where a human Camera (Michael Fitz-

gerald) gives the studio instructions. Hitchcock played with great realism and sensitivity by Richard Griffiths, wants to reproduce the love scene he visualised as a boy, but he despises his own fat body and associates women with death. Rudkin repeats similar attempts time and again - the dream is followed by a thoughtful Hitchcock at work with script-writer and

concluding with "After Strange Meeting", but each reading was defined and each poem spoken as if it had been lived from the inside. Only metaphor does justice to Hughes's voice: its subterranean energies; its baleful brutishness, which matches the brutality of Owen's own language because Owen was a poet who, in those last 12 months of his life, and still only 25 years old, transformed himself from some pale, fluttering, Keatsian thing into a poet who had somehow been empowered by suffering to treat directly of the most horrible and sordid things that one man could ever do to another. Hughes captured all this "This is a horrible one," he said of the fragment which begins "My soul looks down from a vague height with death", and all its numbing horror came spewing out. It was a concluding moment of brilliant and unsurpassed discomfort.

Camera. The play lasted 130 minutes, which thought too long. Philip Martin directed.

Groucho Was My Father (Radio 4, Wednesday) presents Miriam Margulies, Groucho Marx's elder daughter by his first wife. Groucho's letters to her, read by Frank Ferrante in a convincing imitation of his voice, are witty but ordinary. It is fun to hear talk of "Uncle Harpo" and "Uncle Zeppo", especially of "Uncle Chico", who besought Groucho to make another film with him to pay the gangsters threatening his life. There are two more programmes, presented by Tony Staveacre.

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ARTS

A conductor with a vision

Max Loppert on the man behind the the rising fortunes of the San Francisco Orchestra

ON WEDNESDAY in the London Festival Hall and the following evening in the Birmingham Symphony Hall, the San Francisco Symphony will be winding up its latest European tour: ten concerts in eight cities in 14 days. Nothing special in that: American orchestras regularly cross the Atlantic these days – not just the Famous Five (Boston, Chicago, Cleveland, New York, Philadelphia) but several other bands such as Los Angeles, Pittsburgh and St Louis risen to international prominence in recent decades, in equal part because of their own improved standards and increased "visibility" via records.

There is now a widely shared perception that, of all those formerly second-rank orchestras, San Francisco's has achieved the most remarkable advances; and since this is most plausibly attributable to the seven-year partnership forged with the conductor who is leading the European tour, the American-born Swede Herbert Blomstedt, a special interest must attach to the latest British encounters with the orchestra.

In the summer of 1980, when the Edinburgh Festival formed the sole British stopping-point of another European tour, the San Francisco Symphony's two concerts provided perhaps the purely musical high point of the whole three-week programme. As I wrote at the time, "Under Blomstedt the orchestra has developed into a first-rate ensemble, (and) should be regarded as a prize catch (for Edinburgh). The first concert was an occasion for broadly authoritative music-making – not splashy or show-off (Blomstedt), a restrained, rather sober figure on the podium, would hardly countenance that) but honestly and powerfully guided by musical concerns".

Since then, the orchestra's star has continued to rise internationally – aided by its output of uniformly fine recordings, mainly but not exclusively on Decca, of 19th-century and late-Romantic symphonies, choral and orches-

tral showpieces, and new works by such important American figures as Charles Wuorinen.

All are made in the Davies Hall, the orchestra's specially built (in 1980) concert hall, whose acoustics, problematical at first, have recently been improved by a \$10m programme of overhaul. Serious programme-building, which the range of San Francisco Symphony recordings reflects, has been a hallmark of concerts during the Blomstedt years. A Nielsen and Sibelius specialist, he has also concentrated on Bruckner, in spite of (as he says himself) a tendency of American audiences to lose concentration during those spacious long movements.

In addition, new American music has been assiduously promoted – not just West Coast Minimalists like John Adams but such "tough nuts" as Carter and Sessions (whom he cracks himself). Yet Blomstedt has maintained not just

the San Francisco orchestra but San Francisco concert-goers in step with his vision of what an orchestra should be and do.

Down the Pacific Coast, the youth and good looks of Esa-Pekka Salonen are hugely magnified on a Sunset Boulevard billboard advertising the L.A. Philharmonic. The San Francisco Music Director cuts an altogether different and, on the face of it, less likely West Coast figure – a lean, Nordically sharp-featured 65-year-old whose conversation resonates with dry wit and quiet, cast-iron conviction (he is a devout Seventh Day Adventist).

It was, initially, something of a long-shot appointment. Blomstedt came to San Francisco highly respected in the profession for his association with (later also) the Danish Radio Symphony and, particularly, for the ten years (1975-85) he spent with the Dresden Staatskapelle. (A mid-'70s Festival

Hall concert by the Dresden orchestra under Blomstedt, with Strauss first and a naturally-flowing, magnificently solid *Eroica* afterwards, has stayed intensely vivid in my memory.) But he eschewed no FR-heightened "glamour", and branched no recording contracts (those came after the partnership was already launched).

Success came in the most rewarding way – in terms of steadily enriched orchestral sound, profile and personality. The healthy artistic situation is economically mirrored: at a time when many American cultural institutions, and certainly the majority of orchestral ones, are struggling to balance their books, the San Francisco Symphony has kept its consistently in the black.

I visited the orchestra at its home base at the end of last year, catching at the same time the premiere of the Oboe Concerto (coolly lyrical, catchily percussive, more complex and

interesting than first impressions suggest) by John Harbison which – characteristically – Blomstedt is including in one of his European tour programmes (it will be heard in London, alongside the Bruckner Fourth). I found that pride in the achievement of the Blomstedt years runs, unshowily but insistently, through every level of the organisation. And yet, prior to the December concerts, the conductor had just shocked everyone by announcing his intention to quit the music director's post in 1995. The loss will be soothed by his occupation thereafter of the Conductor Laureate title. But why the departure?

"It is time. I have had a very good period with the orchestra. The quality of all the sections has improved. The orchestra is now full of fantastic players. It needed building up, and we have worked on that together. In some senses an American orchestra finds the great Classical symphonic repertoire harder than the modern music they play: they are very quick in learning the notes, but there is perhaps a shorter interest span than we are used to in Europe."

He has felt out off from Europe. Artistic connections from the past have had to be loosened or even put aside for San Francisco. As the fine print of his work so plainly testifies, Blomstedt is not a conductor for whistle-stop, minimum-rehearsal guest engagements (he has never appeared with any of the London orchestras, although probably not for want of invitations). He speaks movingly of his years with the Dresden players, of the hardships they endured in GDR times and the uncertainties that now beset them, and above all of the orchestra's character – "so warm, with its rich string sound, so full and natural".

Where will Blomstedt go after 1995? He is keeping that secret; but wherever it may be, the appointment must surely promise the conditions in which this first-rate musician and orchestral trainer can flourish – as he so obviously has in San Francisco.



Herbert Blomstedt, who brings the San Francisco orchestra to London next week

Marvels in Maastricht

ONE PARISIAN lady at the Maastricht arts fair this week sniffed that in her opinion the event was "moins spectaculaire" than the Biennale antique show in Paris. Madame was wrong: less theatrical it may be, but once you forget the hideous warehouse they stage it in and examine the marvels on the stands, the Maastricht European Fine Art Fair, which closes tomorrow after 10 days, has to be the most "spectaculaire" accumulation of antique excellence anywhere.

Maastricht attracted 160 art dealers this year compared with 147 in 1992 and has been doing better business this year than last. Curators from the US and Europe were on the prowl and medieval and Renaissance art specialist Edward Lubin, from New York, was understandably upbeat after selling two south German

polychrome statues of captive Turks, made to commemorate the Battle of Vienna in 1683, to the Zeughaus Museum in Berlin on the first night. In the textile section Eskens, from Milan, sold an historic piece, a unique early 13th century animal carpet from eastern Anatolia to a German buyer within minutes of opening.

For the second year, Harry Winston, Cartier, Garrard and Buccellati are manning a jewellery section to waylay the rich. Winston boasted the Garuda brooch, set with the largest green diamond (3.19 carats) in the world for just over \$3m. There is a new antiquities section with ancient Chinese art specialist, Gisèle Croes, from Brussels, among others. Her stand includes two miraculous

ly-preserved terracotta Han ducks and seven extremely rare Dian bronzes (475-109BC), which she rapidly sold. One of them was a bell-buckle in the form of a buffalo attacked by a tiger and a leopard, watched by a puzzled rabbit, all in marvellous detail.

Next door, H.A. Cahn, from Basle, is exhibiting an array of Greek and Roman antiquities, including a rare 6th century BC Corinthian bronze helmet and a ceremonial gold pomegranate from Lebanon, second millennium BC, wondrously intact, for 75,000 Swiss francs.

There is an abundance of silver this year: Koopman and Son, from Chancery Lane, wanted £1,250,000 for two George II three-light candelabra, a marvel of foliage and

nude bodies made by Charles Frederick Candler in 1728. Philips – which on the first day alone did three-quarters of the business it managed in 1992 – wanted slightly more for an enamelled gold and glass tankard made in Zurich in 1696, signed by Hans Jacob Sprungli, from the Kremlin treasury.

Maastricht began making up for its weakness in furniture this year. Adriano Ribolzi, from Monte Carlo, boasts a secretary by 18th century French Royal cabinet-maker, Riesener, in rosewood, sycamore, burr elm, stained wood veneer and marquetry. Partridge, over from London for the first time, have a pair of console deservants with Sevres plaques, made for the dairy at Fontainebleau in which Marie-

Antoinette played (£750,000) and, from Upton House, in Oxfordshire, a Louis XVI tulipwood bureau stamped J. Stokel, for £220,000.

Waddington Galleries made the trip from Cork Street and backed up the dire quality of the 30th century painting section, always a weak spot at Maastricht, with a wide range of good contemporary works. Within 24 hours of opening, it had sold some £250,000 worth including a Leger gouache of 1949, a Jean Arp bronze and two Henry Moore drawings.

Some great Old Masters shine through the acres of 17th century tulips, oceans of Dutch seascapes and innumerable Flemish tavern scenes, which dealers always bring to charm local buyers. Bob Haboldt, of Paris, has a major 17th century Italian still life by Michelangelo di Campidoglio, while Bruno Meissner, of Zurich, has four vigorously-executed scenes from the life of Moses, by Jacopo Palma. Bernheimer has a vibrant Canaletto view of the Grand Canal priced at £2.8m and Emmanuel Moatti, from Paris, showing both drawings and paintings, quickly sold a Rubens portrait of Prince Francesco Gonzaga, of 1605, a fragment of an altar-piece.

Trading at Maastricht is not just a sign the art market is moving. I think it is a means to get it moving, too," one dealer said.

Nicholas Powell

Chess No 966: 1 Qh2 Bxg2 2 Qh5+ Kxf1(3) 3 Qb5 3 Qd1. If 1...Kxf1 2 Qh1+ Ke2 3 Nf4. If Kf3 2 Qxh3+ Ke2 3 Nf4.

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ABOUT A quarter of a million people a year visit the Old Royal Observatory at Greenwich and stand upon a brass line in the pavement outside. The line marks the Prime Meridian or Longitude Zero, and to straddle it is to have one foot in the eastern hemisphere and one in the western.

If visitors have not given sufficient regard to the wider historical and scientific importance of the Royal Observatory, it is partly due to the outmoded displays and confusing information that has so far been available to them. This has now been corrected, for the observatory re-opens next week following the installation of new galleries and permanent exhibitions and the redecoration of the 17th century apartments.

The observatory was founded by Charles II in 1675 to provide astronomical data for the improvement of navigation. The main building is known as Flamsteed House, after the first astronomer royal, John Flamsteed (1646 - 1719). The press release describes Flamsteed House as "a masterpiece by Christopher Wren", although in fact Wren was, to quote the architectural historian John Summerson "only in some degree responsible" for the design.

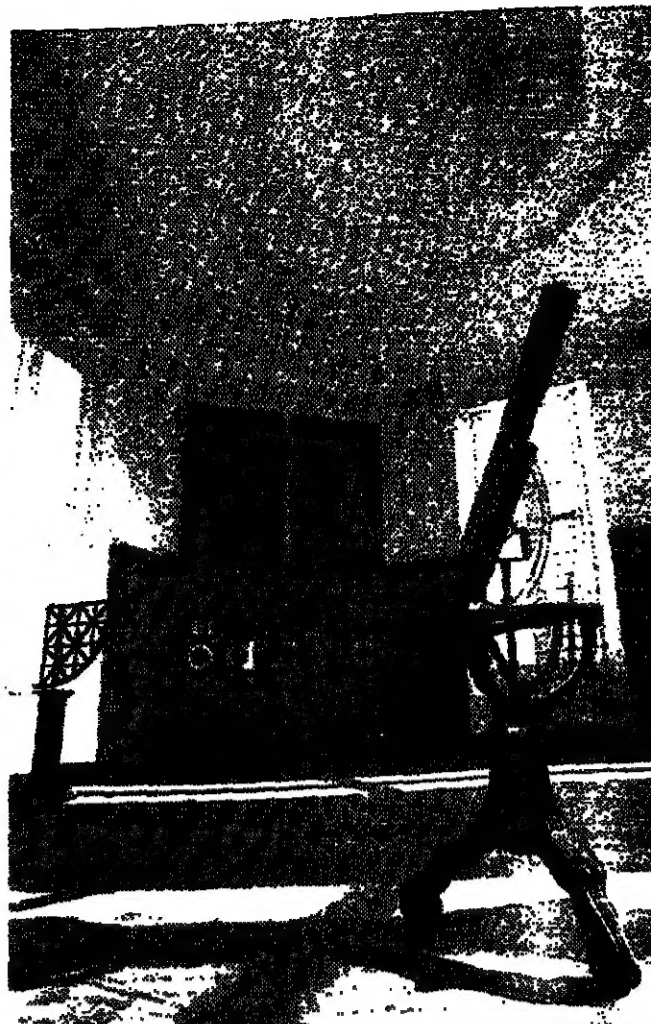
As far as the alterations of earlier times allow, Flamsteed's modest personal apartments have been restored and furnished to give an impression of his occupancy. However, the jewel of Flamsteed House is the Octagon Room, above Flamsteed's apartments. Essentially a large belvedere with tall windows on all sides to allow for the 360 degree tracking of the night sky, this beautiful room has now been re-equipped with telescopes and astronomical instruments of the period. An attempt has also been made to restore the original decorative scheme.

Flamsteed House was added to in the 18th and 19th centuries and adjacent buildings were built to contain the equipment required for positional measurements of the stars. The Octagon Room, although a showpiece and a statement of national pride, it was never practical for accurate celestial cartography and Flamsteed himself constructed a small building behind the house for this purpose. Later astronomers made their own additions and since the result does not form an architectural whole, licence has been taken to thoroughly modernise the interior spaces of these later wings.

The introductory galleries address the history of astronomy in general terms and the pioneering contribution of John Flamsteed in particular. Flamsteed's work in mapping the stars using a new and accurate system of measurement made him to be the founder of modern astronomy. His observations were of great help to Newton, with whom he later fell out when Newton and Halley (of comet fame) published some of his findings without his consent. Edmund Halley (1686-1742) succeeded Flamsteed as the second astronomer royal in 1720.

However, even though these luminaries had made great progress in astronomy and certain related areas, their observations had not helped to solve that most obstinate and fundamental problem of navigation, namely how to determine longitude at sea. This basic inability to fix a position was the cause of so many disasters that Parliament established the Board of Longitude in 1714 to consider any suggestions that might be forthcoming. It also announced a £20,000 reward for anyone who could solve the problem.

Enter John Harrison (1693-1783), the 300th anniversary of whose birth coincides with the re-opening of the observatory. For centuries the potential contribution of a marine chronometer had been recognised. Since the earth rotates through 360 degrees every 24 hours, if the mariner were to have a clock showing the exact time at a fixed meridian such as Greenwich, he could, knowing local time



Jewel of Flamsteed house: the Octagon room, with period instruments

Greenwich observed

Richard Newbury on the re-opening of the observatory

(which could easily be established by observing the position of the sun) translate the time difference between the two into degrees of longitude.

Harrison, a Yorkshire carpenter, had produced a number of clocks with wooden mechanisms. He visited Edmund Halley at the Greenwich observatory with a proposal that he build a clock that would keep accurate time at sea, notwithstanding the motion of the ship and temperature variations.

The story of Harrison's remarkable achievements from the successful completion of his first marine chronometer in 1736 to the time he received the full reward from the Board of Longitude reward in 1773 is a fascinating chronicle of dedication, despair and eventual vindication. His chronometers were the height of technology in their day, and it would be hard to better his own description of his final and most successful design: "I think I make so bold as to say that there is neither any other mechanical or mathematical thing in the world that is more beautiful or curious in texture than this my watch or timekeeper for longitude." Captain Cook took a copy of Harrison's final chronometer on his second and third voyages where it helped him to map the coasts of Australia and New Zealand with a precision that is still admired today.

Harrison's four major chronometers are excellently displayed in the new galleries, each accompanied by a video

that uses computer graphics to explain the principles and design of the mechanism. There is no sound track which means that the tick of the marvelous machines may be heard. John Redfern, an horologist turned producer of computer graphics, deserves the highest praise for these tapes.

Video is also used to good effect in the chamber housing Sir George Airy's telescope, where it is obviously impossible to activate the machinery itself. Airy was astronomer royal between 1835 and 1881, and it is his telescope that defines Longitude Zero for the world. What finally clinched the argument in favour of Greenwich rather than, say, Paris, was that the new American railways had also started using Greenwich for their time zones.

Another gallery is assigned to the London instrument makers of the 18th and 19th centuries who contributed to the scientific progress of the age with astonishing ingenuity and technical skill. A fine selection of instruments are on display with captions that make them intelligible to the layman.

The re-development brings to prominence the most important monument to the scientific aspirations and achievements of the Enlightenment. And as an expression of the scientific confidence of our own age, the brass strip marking the Prime Meridian has been taken up and replaced with a line of pulsating lights. Such is the march of progress.

NABUCCO IN BREGENZ

with the FINANCIAL TIMES

Saturday 24th July – Tuesday 27th July 1993

"..... counts high among the most thrilling and dazzling pieces of lyric-theatre spectacle of my entire opera-going experience". So wrote Max Loppert in the FT after his first visit to the open air opera festival in Bregenz to see David Pountney's Flying Dutchman.

Now, the Financial Times invites you to come with us in July to this small Austrian town on the shores of Lake Constance, to see Pountney's new production of Nabucco, performed on the famous floating stage. We have also reserved seats indoors the previous evening for Jonathan Miller's production of the less well known, and perhaps under-rated, Fedora, by Umberto Giordano.

We have arranged with Swissair to fly FT readers from any airport served by the airline direct to Zurich. There, hire cars will be available for you to enjoy the short drive over the border, and for your use throughout your stay. Rooms in two hotels nearby have been booked for the duration of our suggested four day itinerary, though arrangements can be adjusted to fit in with your plans, and required departure airport

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Covent Garden



WE ALL have our own ideas about what constitutes the most depressing words in the English language. Sir Kingsley Amis, famously partial to a drink before lunch, once nominated the phrase "Shall we go straight through?" As I recall, Sir Kingsley's runner up for the prize was "Red or White, Sir?"

My nomination would have to go to the phrase "according to a recent survey..." Usually this forms the introduction to the sort of article which purports to prove that advertising pays, or that pigs can fly. More dangerously, it is a phrase beloved of politicians hoping to justify a policy or to defend

Sour sound of twisted surveys

Dominic Lawson hears pro-Maastricht politicians utter the most depressing words in English

their appalling record.

A horrible example was perpetrated last week by the foreign secretary, Douglas Hurd, as part of his increasingly desperate attempts to persuade members of his party that they should support the government's Maastricht Bill. Hurd quoted a survey by a body calling itself the European Policy Forum - a disinterested body, I am sure - to the effect that if Britain failed to ratify the Maastricht Treaty "the cost to our national income of... a policy of detachment... would be some £50bn pounds over five years." This fantastic figure was

later given the highest political authority, by being quoted in a speech by the prime minister.

You are probably wondering how the European Policy Forum arrived at this figure. Simple. It supposed that foreign direct investment in Britain would amount to 3 per cent of output, or £20bn a year. It further supposed that this figure would be halved if Britain pulled out of the Maastricht process. This is the truly heroic assumption, which the prime minister and the foreign secretary apparently share, and which enables them to claim that Britain would "lose" £10bn a

year, and hence £50bn over five years. QED, I don't think.

Not surprisingly this piece of arithmetical mumbo-jumbo failed to impress anti-Maastricht Tory MPs. So the government's faithful euro-bound, the Confederation of British Industry did its bit by circulating a brief to MPs and peers which claimed that "If the UK fails to ratify the Maastricht Treaty and is perceived to be part of a second tier in a two speed Europe, this would have a negative effect on half the (foreign) investors".

It later turned out that of the 16 foreign companies questioned by

the CBI, only one said categorically that a failure to ratify Maastricht would have a serious impact on its investment in Britain. According to the *Sunday Telegraph*, one of the companies, a Japanese car maker, was typical of the general tone, saying: "Disinvestment is unthinkable regardless of the political situation. We have made a commitment to the UK and disinvestment will not happen, no matter what."

Possibly that response contains an element of diplomatic exaggeration, but it is not odd that Major and Hurd did not give this part of the survey the publicity they gave

to the more negative aspects? They are always complaining about those who knock Britain. Yet here was a Japanese company prepared to say it would invest in Britain regardless of Maastricht, and the government attempts to suppress the good news.

The truth is that politicians use only those survey answers which suit their political objectives. That is why the government will not wish to draw attention to another, heartening, survey, which was reported in the *FT* on Monday.

KPMG Peat Marwick Consultants interviewed 50 EC banks, and

found that most assume that Britain will be in the slow lane, and that monetary union will take place with an inner core of Germany, France, and the Benelux countries.

Bad news for Britain? Not a bit of it, say the banks, who "anticipate a trend towards centralised currency trading in London in the aftermath of union, irrespective of whether or not Britain rejoins the EMS."

Why does the government keep twisting surveys to prove that Britain will become an economic pariah, if it does not ratify Maastricht? The answer is, because it has no positive reasons for wanting the treaty. So it is left only with negative ones, which amount to no more than handwringing and bedwetting. It does not take a survey to see that.

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MUSIC critics and theatre critics we know about, and literary critics, art critics and ballet critics. But what on earth is a science critic - apart from a contradiction in terms?

Dr Joseph Schwartz is a New Yorker with a west coast drawl, a Harpo Marx hairstyle and a gift for polemos. As a child, he stood on garment workers' picket lines; as a youth, he produced pi meson particles in Berkeley. In his 20s, he was inspired by the civil rights movement. He took up psychology and now he is a psychotherapist in Belsize Park, London.

Also, Schwartz writes. He is a science critic. Opera, he will tell you, is another way of singing, just as painting is another way of seeing. Science is simply another way of understanding the world. It is not so pure, after all. It is as susceptible to an informed critique as any other human activity.

"I don't paint the pictures," he said. "I don't make up the theories. But I evaluate them. A painter can talk about a painting; we don't have to agree with what the painter says is in the painting. We look to see what it says for ourselves."

"Well, waddy think?" he said, jumping up from the kitchen table. "When the man in the white suit says radiation won't hurt you, waddy think? I'd like people to have confidence with their own assessments. Sure, they have to be open to information. I suppose I'm attacking the authority, the inflated authority of science."

And attack he does. Today's particle physicists are autistic, he says, staring vacantly at mathematical expressions of their own creation. "String theory" may be the *denier* *cr*, but is boring and cannot be tested experimentally. DNA has replaced the Deity as the agent of predestination. We have lost confidence in our capacity to understand, and our science writers - whether of the "gee-whizz" or "shock-horror" school - have not liberated us from primitive notions of what science really is.

What does it mean, I asked Schwartz, to say that a work of science, like a work of art, is "poor"? Either a theory works or it doesn't.

"Well, you could say it doesn't work, or it has too many assumptions, it's not testable, can't be compared to experience; or it's unsatisfying, it's unattractive... What I'm trying to do is formalise the kinds of conversations you could have quietly, in the corridor, with scientists at a scientific meeting."

Schwartz began an imaginary dialogue. "What do you think of 'strings'? (You're not going to get an active physicist saying it's the

truth or anything like that.) They might say: well, it really stinks. What do you think of quantum mechanics? Well, I don't see how to do anything better, but yeah, I was always bothered by it as a student... That kind of thing."

In 1965, C.P. Snow gave us the phrase "the two cultures" to describe a state of mutual incomprehension between science and the humanities. Today the sociology of science is itself in conflict: one group continues to see Western science as anonymous, universal, dispassionate and privileged. The newer, relativist group, describes scientific knowledge as a social construct whose focus and direction owe as much to history and culture as to empirical analysis. Lobbies have formed and tempers have frayed, with exaggeration and misrepresentation on both sides.

We are watching a replay of the 19th-century Darwinian controversy, Schwartz said. The traditionalists will not recognise that science is a human activity - that we create our understandings. The anti-science lobby will not acknowledge the power and utility of our understanding.

Schwartz is of the new school but not, he would insist, its militant wing. He agrees that we are looking at a real world and that science is a "special kind of understanding" of that world; he is simply reluctant to accord it supreme status.

He took an example from aesthetics. "A hundred years ago we said art was Beauty. We don't believe that any more. We don't believe beauty is so simple. We see it is not eternal but historically formed: what is aesthetically pleasing varies over time. The same is true for science and truth. What is perceived to be true in one epoch may be completely unsatisfactory in another."

It follows, of course, that Schwartz's critique is itself under the influence of his own history and culture.

His father, a furrier and trade union activist in the 1930s, came from Bessarabia in the former Soviet Union. His mother's family had migrated from a town near Chernobyl in the Ukraine. They moved to Los Angeles when the elder boy was eight. He went to Berkeley in 1955 to read sociology and physics at a time when America was actively recruiting scien-

Private View/Christian Tyler

Challenging the new gods

Science critic Joseph Schwartz explains how he evaluates the most complex of theories



tists, impelled by a talent for maths but also by his sense of being a misfit.

As well as being Jewish, "foreign", left-wing and from the East Coast, he was afflicted by being intellectually ahead of his contemporaries and younger than his peers. "While they were developing socially I was still a little kid."

The sociology proved to be a bore, but the physics was "terrifically exciting." Berkeley then was the leading centre for particle physics and Schwartz joined the group around Luis Alvarez, later a Nobel prizewinner.

"It was top of the world, just one of those rare experiences. Everybody, no matter what their age, who was involved with Alvarez in that period would call it the high point of their career." He did a PhD in particle physics using high-energy pi mesons in a hydrogen bubble chamber.

Did you feel you were adding real knowledge, or was it a kind of game?

"No, it didn't have a game quality for me, nor for other people. It's quite a good question, really, because I think physics has become removed from that sense of adding significantly to human knowledge; there is a real malaise in the field, a certain kind of boredom and gimmickry."

Schwartz was a left-wing student activist, not so much a hippy, he said, as an amateur beatnik. Deciding he had had the best of physics, he was drawn to Mississippi and the civil rights protests. It changed his life. Impressed by the sophistication of the black militants and of their "group psychodynamics", he underwent psychoanalysis himself and landed a research fellowship ("people felt physicists could do anything") in psychiatry at Columbia, New York. Much later he trained as a counsellor, met a British psychotherapist and moved with her to London.

Are you still a left-winger?

"I would say so. Most people would say so."

Is your critique a product of your early commitment to the Left?

"It sort of is and it sort of isn't." Are you offering a Marxist-driven analysis?

"Well, you know I've been very seriously attacked by Marxists, so there's tremendous disagreement

among them about science as well. I mean, I would flatly reject the traditional Marxist interpretation of science which is gee-whizzery, basically. If you wanted to place me politically, I suppose you could say it's New Left. We have to look at what actually has gone on: we have to look at stories like the atomic bomb."

Schwartz gently turned the tables. "What would you say about journalism? That reporters just go out and get the news and tell us the truth? Well, it doesn't really work that way. Why would a journalist write a book about journalism? What would be the motivation? A critical sensibility, an anti-elitist sensibility, perhaps, an irritation with the bullshit? It's kind of left-wing."

He talked about genetic determinism, theories which he said had been discredited but which refused to die. They were kept alive, a comforting explanation for "frightened, frightened lower-middle-class professional people who cannot take on the serious problems that our society poses for us. Of course you have to take the claims seriously but they've been wrong for 100 years."

Aren't your views influenced by your own experience, your background, a wish to believe that such claims are wrong?

"In a way that's fair comment. But that's exactly where the debate has to get started. What's been missing from the debate about nature versus nurture is why we believe what we do believe. What makes genetic theory so attractive to us?"

I asked Schwartz how he would demystify science and restore it to its place in the common culture.

"When one is dealing with a deep structural problem good intentions don't go very far - as we have seen ever since Snow enunciated the Two Cultures."

"We believe we ought to know more about science but somehow our interest wears thin and any subject deprived of a larger audience for a long time tends to grow narrow. Our science at the moment is not in fact very interesting: 'strings' and 'chaos' theory are hyped beyond measure in an attempt to capture the excitement of the 19th century. But it won't wash."

"We need a far more critical, sardonic, humorous science reporting - much more in fact like arts reporting. But will editors buy it?"

Better, he said, to forget about high science for a decade or so and go back to talking and writing about technology instead.

"Because if we can get interested in our productive culture, and begin to reclaim it, then our scientists will have more interesting things to work on as well."

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daily briefing paper on the gold and foreign exchange reserves that was for his and the prime minister's eyes only: he expected it to turn up in a newspaper, but nothing happened. "In those days the Treasury was obsessed by those figures," in Budget-making he took the unprecedented step of consulting some of his cabinet colleagues, once even including Tony Benn.

What struck him most was how quickly the economy could turn round. In his stewardship the balance of payments went rapidly from deficit to surplus, but it can turn back just as fast. And if Jenkins had known the recovery would be so rapid, he would not have gone on raising taxes in the 1969 Budget after a record rise in 1968.

Being chancellor breeds a weary cynicism about figures. Even when Jenkins took on the beginnings of monetary policy, he was careful to describe the theory as "arcane."

By the mid-1970s, Healey was facing the same sort of currency and spending problems that had confronted Callaghan.

Healey remains unrepentant, although his manner has mellowed with time. Thatcher used to speak of him as an "amoral thug." Nowadays, he is one of the few people to speak sympathetically of Heath. The only regrets he expressed were that he did not find it easier to work more closely with Jenkins (Jenkins, Healey and Heath were at Balliol College, Oxford, together), and that the government had not been more flexible in its incomes policy. Its 5 per cent norm led to the "winter of discontent" in 1978.

Healey remains seething about Treasury numbers and forecasts: "The figures are always wrong or out of date." The estimate for the public sector borrowing requirement which led to the loan from the IMF was far too high. But he is still glad he went to the fund because it "put the seal" on cuts he wanted to make, anyway.

The IMF episode led to a notable change in Healey-mak-

ing: for the first time, all cabinet ministers debated the contents in advance and secrecy seemed to have been abandoned. The change did not last. Healey's innovation was the gradual introduction of monetary policy. He says he learned in the army that "you can't work without a plan, but you must know that the plan will work. You must take money seriously." He was perhaps the first chancellor to do so. Like Jenkins after devaluation, he was surprised by how quickly the economy turned round after the IMF loan. For the rest, Healey remains convinced that the root British problem is the class system.

It was Callaghan as prime minister in 1979 who noted that the tide had turned against high taxes, and Labour duly lost office. How, as the new Tory chancellor, recalls that after cutting the top and standard rates of income tax in his first Budget he was cheered by the British Airways crew when he flew to the Tokyo

summit and applauded by Labour councillors in his constituency, in spite of having raised VAT. It was his 1980 Budget, however, which set a new discipline. The medium-term financial strategy then introduced "imposed a framework from which I could not have escaped even if I had wanted to."

Treasury figures, says Denis Healey, 'are always wrong or out of date'

The stir over the MTFS was as nothing compared with the Budget in 1981. How raised taxes at a time of recession. Thatcher was "shattered," but he did it because the government's fiscal position was getting out of hand. At the same time, How predicted an average economic growth rate of only 1 per cent for years. Yet, by mid-1982 the recession was over and the forecasts had been shown to be wrong again.

For the 1982 Budget, he made an innovation that has stuck. Early in the new year, he called treasury ministers and officials to Chevening, a government residence in Kent, for Budget discussions: this has become the norm. Only after that do the weekly discussions between chancellor and PM get under way.

Lawson's Budgets are sufficiently recent not to need a summary save to say that he would have been even more of a reforming chancellor if Thatcher had approved more of his proposals earlier. He is the perfect example of the rule that when relations between chancellor and prime minister go well, it is good for the government - and also of the reverse. Up to the 1987 election and slightly after, they were

satisfactory. Afterwards, they went into sharp decline, leading to his resignation in 1989. But he found a novel way of telling the PM of his initial Budget thinking: he and his wife would invite Thatcher and her husband to an informal dinner around the end of January.

Yet, Lawson's own initial approach was remarkably prudent one penny off the basic rate of income tax in 1986 (a decision taken only a few days before the Budget), and two pence in 1987. "What a lot you got!" said *The Sun*. The bigger cuts came after the 1987 election.

Other reforms, such as the broadening of VAT and the phasing-out of mortgage interest relief, were limited by Thatcher, who had more of an eye for voters than an efficient tax system. Lamont, who was for several years Lawson's chief secretary, thinks that his old boss left a lot still to be done. In particular, he has a hankering for the negative

income tax, which combines taxes and benefits, that was much studied by the Heath government.

Before Lamont took over, there was the brief interlude of chancellor John Major. He presided over only one Budget, but could have made a permanent mark with the introduction of Taxes (tax-exempt special savings accounts) which are a Treasury favorite for further development. Major says that the ideal qualities for a chancellor are "a long view and a thick skin."

One fact about Major might surprise: he is an advocate of total Budget secrecy, which this year has been tighter than ever. There is no intention of loosening the secrecy when the government moves to the unified Budget in November.

Can that be viable? Nobody knows. The process of preparing and presenting tax and spending proposals together will involve much wider consultations and, therefore, leave room for arguments and possi-

bly leaks. Most former chancellors are, at best, lukewarm about the idea. Lawson is against it. He thinks tax must be seen to be handled separately, and that unification will lead to huge administrative problems in the Treasury.

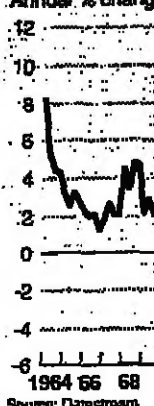
But something on which everyone agrees is that the determination to press ahead with unification has come from the present chancellor. "The merit does not lie in the originality of the idea," says Lamont (it was proposed in the Armstrong Report of 1980), "but in the fact that it is being implemented."

Not all former chancellors regard the Budget as their most important act. They like the mystique and take credit if their name is attached to a lasting reform. But most of the interesting developments take place between Budgets.

Remember the remark by Macmillan: "Preparing a Budget is like using last year's timetable to catch a train." Then there is the forthright advice from Thorneycroft: "A government needs one main objective. This year, it should be how to deal with unemployment."

GDP

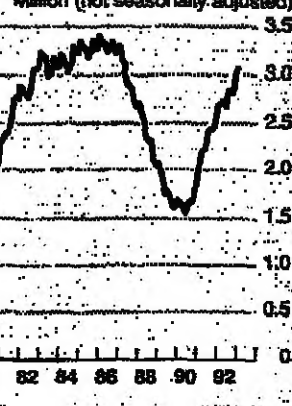
Annual % change



Source: ONS

Unemployment

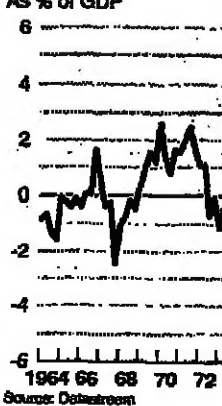
Million (not seasonally adjusted)



Source: ONS

Current balance

As % of GDP



Source: ONS

Inflation

Annual % change in RPI

